

American Numismatic Society Library

OF THE MUSEUM OF AMERICAN FINANCE

FINANCIAL

H I S T O R Y



The Housing Market Meltdown and the Credit Crisis

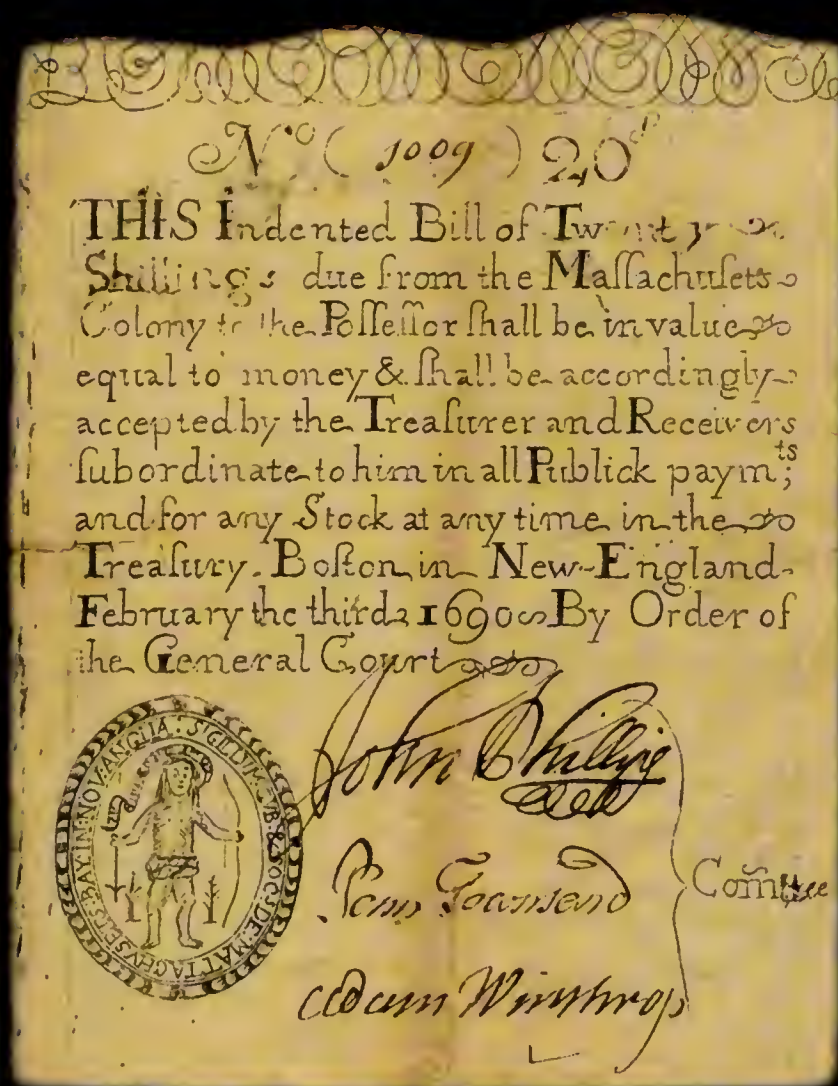
Toward a Social History of Investment

Top Moments in Canadian Business History

ISSUE 91 ~ SUMMER 2008 ~ \$4.00

HISTORY COMES TO LIFE

at Stack's ... through the enjoyment of numismatics.



THE FIRST PAPER MONEY ISSUED IN NORTH AMERICA

THE EXCESSIVELY RARE
1690 MASSACHUSETTS
20 SHILLING NOTE

The Massachusetts Colony February 3, 1690 Indented Bill was originally issued as Two Shillings Sixpence, contemporaneously raised to Twenty Shillings. Printed from a Copper Engraved Plate on thin laid paper, 104 x 140 millimeters. The face bears the oval Colonial Seal and the signatures of John Phillips, Penn Townsend, and Adam Winthrop. There are possibly only six or seven known examples of this incredibly rare issue.

Buying the very finest in rare and historical
numismatic material from around the world.

Stack's

• Auctions • Appraisals • Retail • Since 1935

123 West 57th Street • New York, NY 10019 • 800-566-2580 • Fax 212-245-5018

P.O. Box 1804 • Wolfeboro, NH 03894 • 866-811-1804 • Fax 603-569-3875

www.stacks.com • email: auction@stacks.com

The most respected name in numismatics • Serving the collector for over 72 years



Risk Management

Give Us A Try

SAPERSTON ASSET MANAGEMENT

A Full Service Brokerage.

Member: NASD, SIPC, MSRB.

Your local source for investment planning.

716-854-7541

•

In the search for property, it's

SAPERSTON REAL ESTATE

Serving The Industrial & Commercial Real Estate Markets.

716-847-1100

•

In the pursuit of better business, it's

SAPERSTON MANAGEMENT

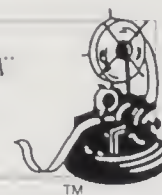
For Tax Assistance, Payroll Services,
Bookkeeping & Financial Reporting.

716-854-7541



"THE DOLLAR DOCTOR"

Listen to the *NEW DOLLAR DOCTOR RADIO SHOW*
with a call-in format each Saturday 10 am to 11 am
on WWKB 1520 AM



Saperston

1-800-879-7541

172 LAKE STREET • HAMBURG

Visit Our Website: www.saperston.com

FINANCIAL HISTORY

The magazine of the
Museum of American Finance
in association with
the Smithsonian Institution

Issue 91 ~ Summer 2008
(ISSN 1520-4723)

Kristin Aguilera
Editor

Editorial Advisory Board

Howard A. Baker, Esq.
Howard Baker Associates

Brian Grinder
Eastern Washington University

Gregory DL Morris
Freelance Journalist

Arthur W. Samansky
The Samansky Group

Bob Shabazian
American Stock Exchange (ret.)

Robert E. Wright
NYU Stern School of Business

Jason Zweig
The Wall Street Journal

Editor Emeritae
Diana E. Herzog
R.M. Smythe & Co., Inc.

Art Direction
Alan Barnett, Inc.

Museum Staff

Lee Kjelleren, President/CEO

Jeanne Driscoll, Director of Development

Kristin Aguilera, Communications Director

Linda Rapacki, Director of Visitor Services

Bill Whitlock, Associate Director of Education

Leena Akhtar, Collection Manager

Arturo Gomez, Business Manager

Copyright 2008 by the Museum of American Finance, publisher, 48 Wall Street, New York, NY 10005. Telephone: 212-908-4110; fax: 212-908-4601. All rights reserved.

Financial History is the official membership magazine of the Museum of American Finance. Annual individual membership is \$55. Payment must be made in dollars, by credit card or check payable to the Museum of American Finance.

Letters to the Editor are welcome. Please send them to *Financial History* at the above address or e-mail kaguilera@financialhistory.org.

There is no implied endorsement of any advertiser in this magazine.

www.financialhistory.org

FINANCIAL HISTORY

Contents

Features

- 9 **The Housing Market Meltdown and the Credit Crisis: Basic Risk Management Ignored**
By Lee Kjelleren, President and CEO
- 16 **Top Moments in Canadian Business History**
New ranking sheds light on the other big American economy.
By Gregory DL Morris
- 20 **Toward a Social History of Investment**
Tracing the spread of investment among ordinary Americans.
By David Hochfelder
- 24 **A Lesson for Our Times?**
Winding up the affairs of the Second Bank of the United States.
By Richard H. Kilbourne, Jr.
- 28 **High Cotton and Phantom Fertilizer Tanks**
The grand swindle of Billie Sol Estes.
By Ron Hunka
- 32 **Public History Gains Ground at 2008 Business History Conference**
Highlights include sessions on women investors and employee retirement programs.
By Gregory DL Morris

On the Cover

Foreclosure sign in front of one of the millions of homes affected by the subprime mortgage crisis. See related article on page 9.



PAUL J. RICHARDS/AFP/Getty Images

Departments

4 Members' News

Museum hosts scholars reception for financial literacy certification program and acquires news ticker reel from the Crash of '87.

13 Educators' Perspective

The Playboy and the Radium Girls: Part II

By Brian Grinder and Dan Cooper

35 Book Reviews

The Teapot Dome Scandal: How Big Oil Bought the Harding White House and Tried to Steal the Country, by Laton McCartney.

Reviewed by Gregory DL Morris

The Exchange Artist: A Tale of High-Flying Speculation and America's First Banking Collapse, by Jane Kamensky.

Reviewed by Sherman T. Brewer, Jr.

Every Issue

37 Trivia Quiz

40 Museum Information

Trustees

Stephen A. Cooper
President

Nemco Brokerage, Inc.,
A Company of National Financial Partners

David N. Deutsch
President
David N. Deutsch & Company LLC

Niall Ferguson
Laurence A. Tisch Professor of History
Harvard University

John E. Herzog, Chairman
Chairman Emeritus
Spink USA Inc.

Myron Kandel
Founding Financial Editor
CNN

Wilbur L. Ross, Jr.
Chairman & CEO
W.L. Ross & Co., LLC

Timothy R. Schantz
Senior Vice President,
Head of Alternative Investing
Genworth Financial

David Shuler
Senior Vice President
of Business Development (Asia)
The New York Stock Exchange

Richard Sylla, Ph.D., Vice Chairman
Henry Kaufman Professor of the History
of Financial Institutions and Markets,
Stern School of Business
New York University

Martin E. Zweig, Ph.D.
Chairman
The Zweig Funds

Museum Celebrates Earth Day with “Finance, Energy and the Environment” Panel Discussion



The Museum's “Finance, Energy and the Environment” event featured panelists (L to R) Daniel Abbasi, Pete Cartwright, Myron Kandel (moderator), Michael Molnar and Carl Pope.

IN HONOR OF EARTH DAY 2008, the Museum hosted a panel discussion entitled “Finance, Energy & the Environment: Changing Markets & Opportunities.” The event explored the sources of power that will be keeping the lights on and filling investors’ pockets in the next five years.

The distinguished panel of speakers included Pete Cartwright, CEO of Advanced Power Projects; Daniel Abbasi, head of regulatory and public policy research at Mission-Point Capital Partners; Michael Molnar,

Vice President at Goldman, Sachs & Co. responsible for the Alternative Energy and Coal sectors in the Energy & Materials Equity Business Unit; and Carl Pope, Executive Director of the Sierra Club. Myron Kandel, CNN’s Founding Financial Editor and Museum Trustee, moderated the discussion. More than 200 people attended the event in the Museum’s new education center, and it was broadcast live online at Clean-skies TV. **FH**

CORPORATE MEMBERSHIP

The following organizations are recent additions to our corporate membership program. We are pleased to recognize their support.

- American International Group
- The Bank of New York Mellon
- Bloomberg
- Fagenson & Co.
- Goldman Sachs
- Meridian Equity Partners
- Merrill Lynch & Co.
- Wells Fargo

For more information about participating in the Museum’s corporate membership program please contact Jeanne Baker Driscoll, Director of Development, at 212 908-4694 or jdriscoll@financialhistory.org.

Museum Hosts Scholars Reception for Financial Literacy Certification Program



Financial literacy scholars at the WISE award ceremony, June 11, 2008.

ON JUNE 11, more than 150 students in the tri-state area were honored in the Museum's education center for achieving a score of 95 or better on the WISE (Working in Support of Education) Spring 2008 Financial Literacy Certification Test.

More than 20,000 students nationwide in over 20 states, a record number, recently took the test. The Financial Literacy Certification Test, the first of its kind, has been administered since 2003 and has reached more than 60,000 students across the country.

According to the exam results, about 8,400 students (74%) in New York City passed the test this year, qualifying them as "financially literate." The certificate is designed to give students an incentive to get the tools

they need to make smarter decisions about money.

According to Phyllis Frankfort, president of WISE and chair of the New York Financial Literacy Coalition, "The enormous growth and success of this program demonstrates how effective it is in preparing students to be financially savvy and responsible consumers."

Following the WISE awards ceremony, many of the honorees toured the Museum's exhibits. Financial literacy is at the core of the Museum's mission. Since opening in its new facility in January, the Museum's educational department has hosted more than 4,500 students in over 170 groups ranging from grades Kindergarten through MBA. **FH**

Treasury VIP Teaches Museum Class

ON MAY 23, Dan Iannicola, Jr., the Deputy Assistant Secretary of the Treasury for Financial Education, visited the Museum and taught a class of students from P.S. 54 in Staten Island. Mr. Iannicola gave the fifth-graders a primer on the stock market in the education center before touring the "Financial Markets" and "Money: A History" exhibitions with the Museum's Associate Director of Education, Bill Whitlock. **FH**



Fifth graders from P.S. 54 at the Museum with Deputy Assistant Secretary of the Treasury for Financial Education Dan Iannicola (back right).

Volunteer Program Flourishes at 48 Wall Street

By Linda Rapacki, Director of Visitor Services



Clockwise from upper left:

Linda Rapacki, Director of Visitor Services, with summer interns Tyquana Shaw and Korey Dye (Futures and Options program) and Sarah E. Galligan (Dartmouth University).

Volunteer Jacqueline Chance delivers a tour in Mandarin to a group of Chinese visitors. The Museum also offers foreign language tours (by appointment) in French, Spanish and Cantonese.

Associate Director of Education Bill Whitlock leads an educational tour of the "Money: A History" exhibition.



VISITORS TO THE MUSEUM of American Finance are welcomed at the front desk by knowledgeable, smiling docents, thanks to the Museum's growing volunteer and internship program. Since opening in January, the Museum's visitor services department has welcomed more than 20 regular volunteers and interns that include college and high school students, retired teachers and retired professionals from various financial institutions.

The Museum's exhibits—on the financial markets, banking, money and entrepreneurship—are designed to spark interest and engage the visitor. They include dozens of interactive components that lead visitors to explore, understand and enjoy the world of finance in the beautiful former home of the Bank of New York.

Visitors may tour the Museum on their own, or arrange for a guided tour in advance (recommended for groups).

Teachers may work with the Museum's education department to develop grade-appropriate specialized tours on a variety of themes and topics. When available, walk-in visitors are offered the opportunity to have a guided tour presented by a volunteer docent. These tours may be offered in English, Spanish, French, Mandarin and Cantonese. Since the beginning of the year, more than 5,000 visitors have participated in the Museum's tour programs. **FH**

Museum Acquires Dow Jones News Ticker Reel From October 1987 Crash

By Leena Akhtar, Collection Manager

THIS SUMMER, the Museum acquired through a generous gift a news ticker reel covering the events of Black Monday and three days following. As the Museum's new Collection Manager, I have had the opportunity to catalog this as well as numerous other interesting donations that have recently been given to the Museum.

Black Monday is the name given to Monday, October 19, 1987 when the stock market made its biggest single-day decline in history. Theories about what caused the crash range from positioning by program traders to illiquidity to market psychology, and the exact cause remains unknown today. For days afterward, markets around the world were put on restricted trading, partially a result of there being so many orders to process. This is reflected in many of the stories on the news tape.

Other recent acquisitions include the business and personal correspondence of a lawyer from Bath, Maine, many of which were written during the Great Depression and vividly detail the social and economic pressures of the time, as well as a wonderful collection of photographs from the era of the New York Curb Exchange, the forerunner to the American Stock Exchange. The Museum is also happy to be home to a growing collection of items relating to Jerry Newman and his business partner Benjamin Graham, author of such notable books as *Security Analysis* and *The Intelligent Investor* and mentor to Warren Buffett. **FH**



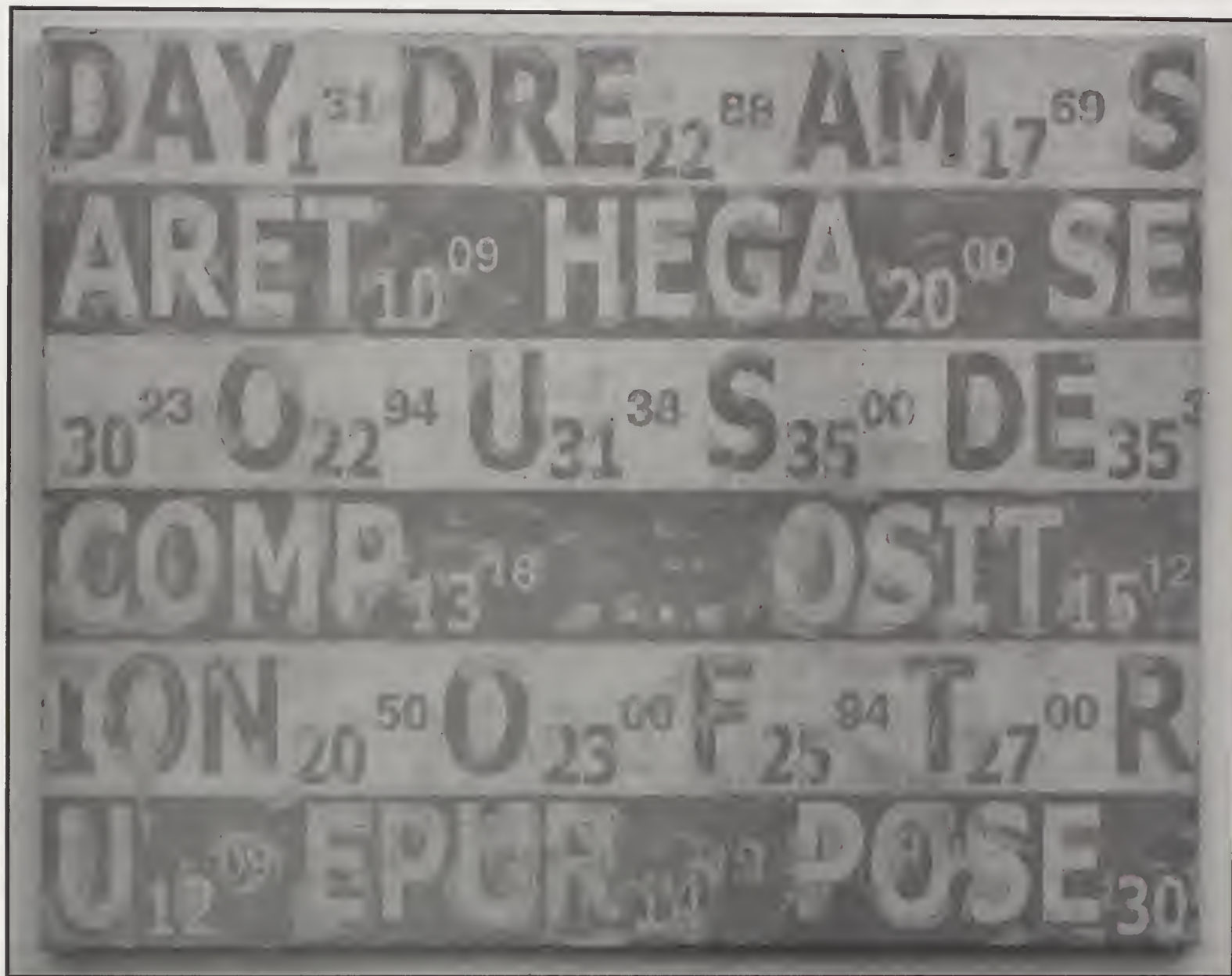
The Museum received a collection of images of the New York Curb Exchange, including this photograph taken in the early 20th century, from Bob Shabazian.



This Dow Jones news ticker reel from the Crash of 1987, currently on display in the "Financial Markets" exhibit, was recently donated to the Museum by Robert Storvall.

THE MUSEUM SHOP COLLECTION

INCLUDES FINANCIALLY INSPIRED FINE ART BY INTERNATIONALLY RENOWNED ARTISTS



MIKE ROLLINS

"Daydreams are the gaseous decomposition of true purpose"

Oil on canvas, 52.5"L x 42"H

Museum of American Finance
48 Wall Street, New York, NY 10005
financialhistory.org

shop@financialhistory.org

212-908-4613

The Housing Market Meltdown and the Credit Crisis: Basic Risk Management Ignored

By Lee Kjelleren, President/CEO

SINCE MY COLUMN in the last issue of *Financial History* (#90, Spring 2008), Museum visitors and interviewers have continued to ask me about the economy's decline. With nearly half a million job losses since January, and a half-trillion dollar record U.S. budget deficit announced for 2009 as the housing led economic slowdown cuts into government revenues, people want a closer understanding of what caused the collapse of the housing market, with foreclosures rising and the worst decline in home prices since the Depression. In Phoenix, Miami, greater Los Angeles and Las Vegas, home prices declined by over 25% this year, and the national average declined 17%, with around 10 million families having negative equity in their homes.

Visitors ask about the subprime mortgage crisis and the rapidly growing credit crisis, and why a U.S. mortgage meltdown has global implications. They wonder about the implied taxpayer liability for what the IMF has characterized as likely losses of \$1 trillion from banks and other financial institutions. What brought on the credit squeeze and the real likelihood of still more financial losses? Why did financial institutions make such systemic mistakes in home mortgage lending?

My views, derivative in nature and not original scholarly research, are personal and not a function of Museum positions. But they do reflect my training in risk management as a former officer at the Morgan Bank, just up the street at 23 Wall.

When the U.S. housing bubble fully burst by July–August 2007, home prices had increased by an average of

124% from 1997 to 2006. The housing market had become a veritable casino based on the assumption that prices would appreciate indefinitely. When prices of overvalued homes began *declining* in late 2006, the \$1.3 trillion subprime mortgage component (of the \$6 trillion home mortgage bond market, which is even bigger than the Treasury bond market) triggered an ongoing crisis. Subprime borrowers were unable to service their mortgages or refinance, leading to defaults (see sidebar) which eroded the value of mortgage-backed securities, that had been sold globally.

“Wall Street got drunk and now it’s got a hangover,”

President George W. Bush,
July 18, 2008*

The valuing down of these mortgage bonds has led to catastrophic losses at financial institutions worldwide on the order of \$500 billion. Bankers and policy makers are struggling to contain what has become a housing and credit crisis, with availability of credit shrinking as lenders continue to retrench. In this short piece I contend that brokers, lenders and rating agencies played an egregious role in credit processes, and lenders in particular were irresponsibly negligent in

consistently extending credit to unquestionably unqualified subprime mortgage borrowers. The driving force behind the current problems has been *flawed risk management*, with the most elemental considerations of debt repayment consciously ignored in the aggressive pursuit of higher yields. The overriding focus was on fees, commissions and ever-larger bonus pools rather than risk assessment implications. That there is a direct relationship between returns and risks seems to have been ignored. If professionalism can be measured by the ability to resist temptation, great numbers of mortgage originators, underwriters and lenders were unprofessional, unable to resist the lure of what (predictably) turned out to be unwarranted cash rewards.

Major financial institutions have been materially weakened by the near collapse in the housing market, which has wiped out \$3.5 trillion in home price gains from the boom years. Millions of Americans have been forced out of their homes, with defaults costing Wall Street hundreds of billions of dollars and been the primary cause in depressing the broader economy. Indicative of the situation, by the middle of summer 2008 Switzerland's biggest bank wrote off \$44 billion following a scathing Board report on management's risk failures. Wachovia wrote off \$8.6 billion, Merrill Lynch

*“The question is,” he said, “How long until we sober up and not try to do all these fancy financial instruments.”

Snapshot of the Subprime Crisis

When the U.S. housing bubble fully burst in 2007 and home prices dropped, 1.25 million subprime mortgages foreclosed, up 80% from 2006. Projections of 2.5 million foreclosures for 2008 seem likely. Over \$1 trillion in subprime mortgages will likely be revalued at 60%–80% of their original value before the home mortgage crisis and subsequent, but related, credit crisis is worked through. Also, an inventory glut of 4.5 million unsold homes is an overhang to be addressed, as well as the ongoing need for financial institutions to mark to market remaining mortgage backed securities in their portfolios. The other shoe hasn't yet dropped, and the possibility of a protracted recession cannot be readily dismissed unless investor confidence can be restored, an unlikely near-term

\$41 billion, and Citigroup \$55 billion, as a result of mortgage backed securities' losses. All forced the resignation of their Chairmen/CEOs and entered a serious period of damage control.

In September, the largest U.S. bank, Citi, is to write off another \$8 billion while to date this year its shares have dropped over 40% and its book value dropped 50%. It will in addition be forced to reimburse around \$7 billion to investors for overtly misleading sales tactics regarding securities sales. Citi was seeking to get distressing assets off its books as the market was collapsing, and will pay a \$100 million fine. UBS has agreed to return \$19 billion to buy back bonds because of claims of deceptive sales practices, and pay a \$150 million fine.

Merrill will shortly write off another \$6 billion and are selling \$31 billion of their mortgage securities in a fire sale for only \$7 billion to Lone Star, while actually financing some \$5 billion of the sale. That Merrill was selling at around 22 cents on the dollar stunned Wall Street, but this sale could well be an applicable precedent for banks' portfolios, many of which have not yet been fully marked to market (as value accounting requires). As one justification, Merrill said its 60,000 employees were terribly concerned about the implications of the write down in mortgage related assets. They are also seeking \$9.8 billion in new capital, the second largest sale of stock ever despite it being an extraordinary dilution of Merrill's shares.

The Mortgage Market

The meltdown in the U.S. mortgage market has seen home prices in free fall in many markets, with new home sales down over 40% since June 2007. Even TV investment commentator Jim Cramer advised on *The Today Show* in June, "Don't you dare buy a home." But Fed Chairman Alan Greenspan in April 2005 had praised the virtues of lending to poor credit borrowers, saying the subprime mortgage industry

was very capable of assessing credit worthiness. He was later widely criticized for his role in the rise of the housing bubble and subsequent subprime problems.

Overbuilding from 2002 on did not limit demand until 2006 as borrowers sought mortgages, often interest-only for some years, in the belief they could flip them or readily refinance them to keep mortgage payments current or withdraw equity from their increased home value for consumer spending, as well as credit card and auto loan repayments.

Mortgage originators and lenders aggressively pursued higher-yield mortgage loans by targeting subprime borrowers. Often receiving 2% more in yield in addition to fees and commissions, these subprime borrowers were profitable but failed to qualify for regular housing loans. Fees as high as \$15,000 on a \$300,000 adjustable rate loan were not atypical, against a \$2,000 fee for a fixed-rate loan to a qualified borrower.

Possessing poor or no credit history, uncertain income and questionable debt servicing capability, credit to such borrowers was often referred to as "Ninja loans"—no income, no job, no assets. Frequently, no down payments were required and fixed rate one- or two-year loans were offered at low "teaser" rates—which would later reset at higher floating rates. As long as home prices went up the foolishness of such loans was masked, with lenders receiving attractive bonuses despite marginal concern for mortgage affordability.

It should be noted that many borrowers also engaged in widespread fraud in their loan applications and net worth statements. But it seems clear that lenders turned a blind eye to these practices for years. Widely-used computerized applications compounded the credit problem as many brokers and other originators were apparently able to manipulate unacceptable numbers to conform to

ostensible industry standards. And there have been widespread complaints about appraisers falsifying home information. Overall, marketing and sales people tended to dominate the lending process, not the compliance officers and risk managers. FDIC Chairman Sheila Blair (June, *New York Times*) said lenders should be faulted for “lax lending standards” and “making poorly underwritten loans,” placing borrowers in “products that created financial hardship rather than build wealth.”

Countrywide Financial, the country’s biggest subprime lender (saved from bankruptcy by Bank of America), is being prosecuted by the Illinois Attorney General for unethical business practices, which include: “Deceitful conduct...misleading marketing...hidden fees and risky terms...egregiously unfair and deceptive lending to steer borrowers to loans that were destined to fail.” The CEO of Countrywide, Angelo Mazilo, was paid \$132 million in 2007, and gave Senator Dodd (Senate Banking Committee Chairman) a \$75,000 special break on his Connecticut mortgage, perhaps indicative of the housing industry’s influence.

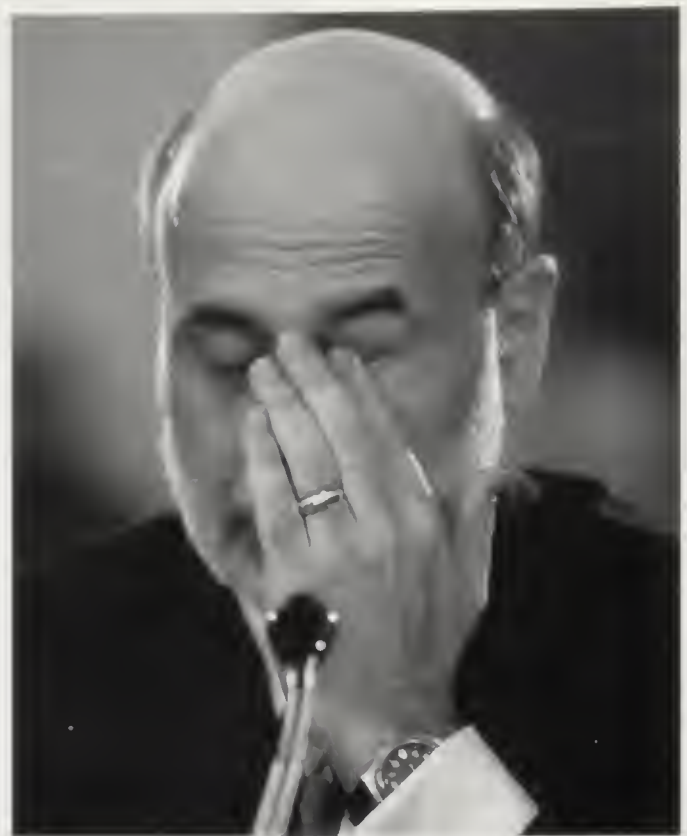
Securitization of subprime mortgages is how banks, governments, pension funds and other investors all over the world ended up with defaulting U.S. mortgages. The individual mortgages were packaged in a variety of ways into pools which received monthly payments of principal and interest, which were then sold to third party investors—*who also took over the credit risk for default*. It was a wonderful deal for the lenders, who got the mortgages and their risks off their balance sheets and obtained new liquidity, plus an additional upfront fee for providing a relatively higher yielding bond.

Investors tended to rely on Triple-A ratings for the bonds by rating agencies rather than their own due diligence. Rating agencies astonished the world when they abruptly began in

2007 to downgrade the subprime securities they had previously blessed. Over a trillion dollars in mortgage-backed securities have been downgraded through August, putting pressure on banks to repair their balance sheets by fixing their capital ratios and/or paring down their lending. Banks have therefore been seeking huge amounts of capital to cover mark to market losses, with investors having to cope with serious dilution. Rating agencies may well be involved in another story that doesn’t reflect well on the ability of executives to resist temptation.

Overextended and undercapitalized banks have become very cautious and are limiting their loans, thereby deepening the economic slowdown and causing credit risk to spread to most major debt categories, including auto loans and credit cards and areas formerly immune from the snowballing mortgage meltdown. New bank loans in many areas, especially housing, are like truffles—hard to find and very expensive. Said Richard Shelby, the ranking Republican on the House Banking Committee in July with regard to credit, “We are sitting on a powder keg.”

Regulators also failed to give expressions of concern over subprime lending. Nobel Prize-winning economist Joseph Stiglitz said, “regulators looked the other way when investment banks packaged their bad loans in non-transparent ways.” And Dr. Richard Sylla at New York University has observed about our often ineffective regulatory patchwork of state and federal agencies, the U.S. has a 21st century economy with a fragmented, early 20th century regulatory system.



Ben Bernanke, Chairman of the Federal Reserve Bank, testifies in January, 2008, before a House Budget Committee hearing on losses in the U.S. subprime market.

© Bettmann/CORBIS

Dr. Sylla also noted that one must look back to the bank failures and fallen stock prices in the Great Depression to find a time when financial industry losses have been so severe. Said renowned billionaire Ted Forstman (July, *New York Times*), who runs one of the world’s biggest private equity firms, “We are in a credit crisis the likes of which I’ve never seen in my lifetime. The credit problem is considerably worse than people have said or know. I didn’t even know subprime mortgages existed.”

The stories of Bear Stearns, Indy Mac and Freddie Mac and Mac are well-known, and space precludes a review of their implications and the privatization of profits but socialization of losses. However it should be noted the government has been seeking to recoup \$115 million from the top executives of Fannie Mae for manipulating earnings to maximize bonuses over five years. And the risk management executive at Freddie Mac recently charged his CEO with disre-

garding his mortgage warnings. The CEO, whose bonus was \$38 million from 2003 to 2007, vigorously denies the allegation.

Institutions clearly had financial incentives for selling mortgages to higher-risk subprime borrowers, since fees and bonuses were significantly higher. But the risks were not unknown. Hedge fund owner John Paulson personally earned \$3.7 billion in 2007 by establishing a fund specifically for the purpose of betting against the subprime market, shorting firms with large positions in subprime mortgage backed assets. George Soros made \$2.9 billion in 2007 reportedly betting appropriately also on the mortgage market (among other areas).

It would also be hard to believe subprime mortgage lenders didn't simply look the other way when toxic mortgage backed bonds were created and sold from 2003 to 2006. They had to know, as they flouted the basic rules of credit, that the loans were questionable, and that one day the overvalued housing market bubble would burst. As J.P. Morgan famously said when asked what would happen to the market: "They will go up, and they will go down." Except for housing?

In July 2008 James Grant, editor of *Grant's Interest Rate Observer*, wrote in the *Wall Street Journal* that he is of the view the prime lending situation and subsequent securitization—sold globally—was not an error, and that Wall Street bankers are superbly talented if sometimes too self-aware of



Foreclosure sign in front of one of the millions of homes affected by the subprime mortgage crisis.

that. He noted how by and large they have a keen eye and superb judgment and live by their wits. They are, however, also in business "to maximize employee compensation in the short run," and to enhance the bonus pool, even if it "runs itself and the rest of the American financial system over a cliff." Mr. Grant seems to have captured the essence of our situation.

Indicative of the many ways the government is looking to shore up the financial system, through the exercise of extraordinary regulatory powers, Fed Chairman Ben Bernanke is in the process of introducing legislation targeting lax lending standards and borrower protections from predatory and

deceptive lending practices. He also is clearly concerned about the real possibility of a protracted recession. And the former president of the New York Fed and Goldman CEO, Gerald Corrigan, is heading a very high-level banking group to make a broad set of proposals for banks to institute tougher standards for managing their own risk and liquidity in the face of the current turmoil.

Warren Buffett said some years ago that you only find out who is swimming naked when the tide goes out. The implications of the lack of proper risk analysis and irresistible incentives based only on short-term performance are no longer covered over—and it's not a pretty sight. In the end a turn in the market regrettably punished not just those seduced by financial temptation, but has severe repercussions for millions of

Americans and non-Americans as well. **FH**

Lee Kjelleren, President/CEO of the Museum, has primarily been an international banker, and formerly an officer trained in risk management at the Morgan Bank. He also was the European representative in Brussels for a Dallas oil bank and worked for varying times in Hong Kong, Cairo, Tehran, Bahrain and Bucharest, as well as London and Frankfurt, for the fourth largest New York money center bank, since merged. He has been a Soviet specialist and a Visiting Scholar and University Fellow at Harvard.

The Playboy and the Radium Girls

(Part 2: The Radium Girls)

By Dan Cooper and Brian Grmder

AMELIA MAGGIA was the daughter of Italian immigrants. She felt fortunate to have found a job in the same factory where two of her six sisters worked as dial painters. The job wasn't difficult; it consisted of painting a glow-in-the-dark substance on the faces and dials of clocks, watches and other instruments. Quick workers such as Amelia could make good money since pay was determined by the number of dials painted. The best dial painters could paint about 250 watches a day and make nearly \$25 a week (Clark, 1997). The paint glowed in the dark because it was laced with radium, and although the amount of radium used was minuscule, its ominous presence in the workplace would soon mean pain, suffering and death for many of the young women who were exposed to it on a daily basis.

Amelia began dial painting in late 1917. Earlier that year, the United States officially entered World War I by declaring war on Germany, and many of the watches painted in the Orange, New Jersey facility where Amelia worked were destined for the wrists of soldiers on the front lines. These young men, who spent their days mucking about in trenches, found wrist watches to be much more practical than pocket watches. Dial painting not only paid well, it was patriotic.

After a few years on the job, Amelia developed a toothache and went to a dentist to have the offending tooth extracted. Unfortunately, the tooth extraction offered no relief as Amelia's health began to deteriorate, and she was forced to quit her job in 1922. Although she consulted several physicians, no one was able to find the

cause of her illness, and she died on September 12, 1922 at the age of 25. The primary cause of death, according to a 1929 Bureau of Labor Statistics report on *Radium Poisoning*, was listed as "ulcerative stomatis" with the contributory cause being syphilis.¹ In addition to a death that has been described as "the most horrible kind," Amelia Maggia suffered the indignity of having that death falsely attributed to a sexually transmitted disease.

Other dial painters began to develop similar symptoms, and by 1925, four of them had succumbed to the mysterious illness. At first, very few suspected that radium was the source of the illness. After all, radium was the new miracle cure-all, and "dialpainters' exposure to the element was considered good for their health" (Clark, 1997, p. 17).

U.S. Radium, the company that employed the New Jersey dial painters, did not inform the workers of the dangers of working with radium even though company officials knew that the substance was potentially harmful. Many of the dial painters were instructed to lip point their brushes when they were detailing numbers on small watch faces. The workers, oblivious to the danger, painted their finger nails with the paint. One worker even painted her teeth with the substance so that she could surprise her boyfriend in the dark.² Neuzil and Kovarik report that when Grace Fryer, one of the dial painters who later filed suit against U.S. Radium, blew her nose, the handkerchief she used glowed in the dark!

Eventually many of the dial painters became too sick to work, but

they were ineligible for worker's compensation benefits because radium poisoning was not included on New Jersey's list of eligible diseases. The link between radium and the health problems of the dial painters was not officially established until 1925 when Dr. Harrison Martland published an article in the *Journal of the American Medical Association* that linked radium to the deaths of some of the dial painters. Historian Claudia Clark, however, shows that the dial painters themselves were the first to connect their illness to dial painting.

When U.S. Radium was asked to help out the ill workers with their medical bills, the company balked. The only alternative left to the dial painters was to sue the company. Many of the suits that were filed against U.S. Radium were settled out of court, but one suit filed by five dial painters went to trial and subsequently turned into a media circus. The suit was filed by two of Amelia Maggia's sisters, Quinta McDonald and Albina Larice, along with Grace Fryer, Edna Hussman and Katherine Schaub. Fryer sought to sue the company after she had been diagnosed with radium poisoning in 1925, but it took her two years to find an attorney who would take her case. In May 1927, attorney Raymond Berry filed suit for Fryer with the other four dial painters joining the suit soon after. U.S. Radium's first line of defense was to claim that the statute of limitations had passed, and when that strategy failed, they began delaying tactics. Hearings began in early 1928 with Berry presenting the case for his clients. The condition of the five plaintiffs was

shocking as most were unable to walk, and one could not even raise her arm to be sworn in for testimony. One of the pieces of evidence that Berry introduced was from an autopsy performed on the body of Amelia Maggia who had been exhumed in October of 1927. The autopsy clearly showed that Maggia's body was highly radioactive and that there were no signs of syphilis. It was clear from the autopsy results that Maggia had died from radium poisoning. Martland's testimony was also a key part of the case against U.S. Radium.

After Berry rested in late April, he expected U.S. Radium's lawyers to immediately mount a defense. But the defense lawyers, claiming that some of their witnesses were on vacation in Europe for the summer, asked for and received a delay in the trial until September. It appeared that the trial might be put off for months if not years while the health of the five "Radium Girls" (so dubbed by the press) continued to decline.

At this point the Consumers' League, a group that was working to reduce the risks of industrial disease, stepped in and, with the help of a willing press, began to agitate for a timely trial for the five victims. Walter Lippmann, editor of the *New York World*, took the lead for the press and wrote in that paper's editorial page that the delays were a "damnable travesty of justice.... There is no possible excuse for such a delay. The women are dying. If ever a case called for prompt adjudication, it is the case of five crippled women who are fighting for a few miserable dollars to ease their last days on earth" (Neuzil and Kovarik, 1996, p. 46). An article in *Time* magazine noted that "Newspapers took these five dying women to their ample bosoms. Heartbreaking were the tales of their tortures."

Finally a federal judge, who also happened to be a U.S. Radium shareholder, stepped in and offered to medi-



Francis Hoare charged in her \$25,000 lawsuit that the radium poisoning she contracted in a watch dial factory had been inherited by her four children.

ate the case. An out-of-court settlement was reached in June of 1928 with each of the dial painters receiving a lump sum payment of \$15,000 along with an annuity of \$600 a year to cover future medical expenses related to radium poisoning.³ On the first anniversary of the settlement, the newspapers noted that all of the women were still alive (Mullner, 1999), but Quinta McDonald died six months later and all but one of the "Radium Girls" died within a 10-year time span.⁴

The Consumers' League along with Walter Lippmann urged the Surgeon General of the U.S. Public Health Service to sponsor a conference on the hazards of radium in industry, but little came of it. Dr. Martland said of the conference, "The great trouble with most investigations is that they always start after the harm has been done" (Mullner, 199, p. 87). Dial painters and other workers were still being exposed to radium even after the well-publicized trial of the "Radium Girls." An article

from the *Wall Street Journal* written in 1983 reported that dial painters in Ottawa, Illinois who worked for Luminous Processes, Inc. from 1940 to 1978 were told that radium was safe.⁵ Like the New Jersey dial painters, some of them painted their fingernails with radium paint "for kicks." Others took the paint home and painted light switches with it to make them glow in the dark. One former worker, Pearl Schott, recalled getting up in the night, looking into the mirror, and seeing her hair glow. According to the *Wall Street Journal*, the women "hadn't been aware of the hubbub in the 1920s and 1930s or had forgotten about it." An alarming number of workers from the plant developed breast cancer which many blamed on contact with radium, but the company chose to follow in the footsteps of U.S. Radium and doggedly fought the claims of workers.

From a finance educator's perspective, the case of the New Jersey dial painters is a classic example of shareholder wealth maximization run amuck. The executives at U.S. Radium worked hard to cover up the dangers of radium in hopes of maintaining the share price of the corporation and tended to ignore the needs of the company's stakeholders. For instance, in 1919 neighbors of the company's Orange, New Jersey facility complained that fumes from the plant were yellowing laundry that had been hung outside to dry and making breathing difficult, but the company did nothing. However, after the local health department initiated proceedings to close the facility, scrubbers were installed on the plant's smokestacks to reduce the acidity of the fumes. One company official recalled giving an individual five dollars to compensate for ruined laundry even though he did not think it was the company's fault, and he complained that the townspeople were simply out to take advantage of the company. U.S.

Radium not only showed total disregard for its employees, it also exposed customers to dangerous radiation by selling "the residue from radium ore at the end of the extraction process as sand for children's playboxes." Concerned parents were told that the sand was good for their children (Clark, 1997, pp. 15, 17). In 1990, the old U.S. Radium property became an EPA superfund site and millions have been spent in an effort to clean it up. In the long run, U.S. Radium's shareholders did not benefit from the short-sighted actions of the company's managers in the 1920s and 1930s, but at least they didn't lose their health or their lives to radium poisoning.

Perhaps if Amelia Maggia had been an influential captain of industry like Eben Byers, more would have been done to protect workers from radium's dangers after her death. Apparently the life of a poor working class female was not as valuable as the life of an influential businessman. The trial her sisters were involved in did very little to advance the rights of workers, although for a time it did focus the nation's attention on the responsibilities of corporations towards their employees. **FH**

Sources

- Clark, Claudia, *Radium Girls: Women and Industrial Health Reform, 1910-1935*, The University of North Carolina Press, 1997.
- Neuzil, Mark, and William Kovarik, *Mass Media & Environmental Conflict: America's Green Crusades*, Sage Publications, Inc., 1996.
- Mullner, Ross, *Deadly Glow: The Radium Dial Worker Tragedy*, The American Public Health Association, 1999.
- "Poison Paintbrush," *Time Magazine*, June 4, 1928, pp. 40-41.
- Richards, Bill "The Dial Painters: The Live and the Dead Still Raise Questions

About Job Radiation," *The Wall Street Journal*, September 19, 1983, pp. 1, 17.

Stewart, Ethelbert, "Radium Poisoning Survey," *Monthly Labor Review*, 28:6, June 1929, pp. 20-95.

Wolff, Sheldon, "Failla Memorial Lecture: Is Radiation All Bad? The Search for Adaptation," *Radiation Research*.

Notes

1. The report notes the progress of the disease as follows (Case 2): "A tooth had been extracted and the socket failed to heal. Necrosis developed. Though extreme methods of treatment were resorted to, the dental surgeon in charge of the case could not arrest the progress of disintegration. Constant severe pain was experienced. After about seven months the chin bone had decayed so that it was removed by simply lifting it out with the fingers. A week later the entire lower jawbone was removed in a similar manner. The illness appeared about four years after beginning work and while still employed, but did not become severe until about three months later. Death occurred nine months afterwards." (pp. 41-42)
2. Sheldon Wolff, in a Failla Memorial Lecture, reported that Dr. Gioacchino Failla had worked with the dial painters and knew the person who painted her teeth. Failla, with a twinkle in his eye, told Wolff that this person "really was wild in that her teeth weren't all that she painted."
3. The plaintiffs had originally asked for \$250,000 each.
4. Albina Larice survived until 1946, dying at the age of 51.
5. According to the *Wall Street Journal*, the plant was closed down in 1978 when the Nuclear Regulatory Commission found that radioactive contamination in the plant was "170 times the maximum allowable levels," and suspended the company's license.

TOP MOMENTS IN CANADIAN BUSINESS HISTORY

New ranking sheds light on the other big American economy

By Gregory DL Morris



ALTHOUGH THE 48TH PARALLEL is the longest undefended border in the world, precious little information seems able to flow south. That is as true in business history as it is in pop culture. For example, most people have heard of Edwin Drake's oil strike in 1859 in north-central Pennsylvania. A major event to be sure, but not the world's first commercial oil well, as

commonly thought. The world's first commercial oil well was actually dug outside Sarnia, Ontario, the year before Drake's.

Going a little further back into history, the first public professional recommendation that petroleum could be of commercial value was in the Geological Survey of Canada Report of Progress for the Year 1849–1850

delivered by T. S. Hunt, chemist and mineralogist, on May 1, 1850. Surface seeps of oil had been used worldwide for millennia. But Hunt's assertion that the gum beds southeast of Sarnia were of economic importance marks

Above: A worker opens a valve on the pipeline between the Leduc oil fields and Nesku, a rail point, in Canada.

the dawn of what is today the largest industry in the world.

There is no lack of innovation, even audacity, in Canadian business history. What we've got here is a failure to communicate. The old joke goes that a Canadian is someone too broad-minded to take his own side in an argument. To help redress that situation, the Rotman School of Management at the University of Toronto has just issued a list of the top 20 most important business events in Canadian history.

The prime mover behind the project is Joe Martin, director of Canadian Business History at the Rotman School. Not only does the list shed long-delayed and well-deserved light on important events, it also expands the understanding of North American and even global trade and economics. Two prime cases from the list are the Imperial Oil discovery of the Leduc 1 well outside Edmonton in 1947, and the 1965 Autopact with the U.S.

According to the Canadian government, "Leduc was the largest discovery in Canada in 33 years, and triggered a boom that would lead to the discovery of the bulk of Canada's oil reserves, hidden deep in the limestone and dolomite reefs of the Devonian."

Not surprisingly, oil exploration and production followed similar patterns in the U.S. and Canada. The common trend was from small over-exploited fields and inefficient transport and refining to larger pools, big pipelines, and sophisticated processing plants. Leduc 1 is to Canada what Spindletop, near Beaumont, Texas, is to the U.S.

"Canada had always been a net importer of oil," says Martin, "but within five years of the Leduc discovery, this country became a net exporter of oil, and has remained a net exporter ever since." Of course Canada's main customer for crude is far and away the U.S. to the tune of 1.8 million bbl/day, plus another 500,000 bbl/day of refined products. That number also



Floor of the Montreal Stock Exchange, circa 1975-6. The Exchange's founding was ranked one of the top 10 most important events in Canadian business history.

© Bettmann/COORHS

makes Canada the top oil supplier to the U.S. Saudi Arabia is second, and Mexico is third.

The interesting prologue to the Leduc story is that half a century earlier Imperial had to raise capital by selling a majority stake to John D. Rockefeller's Standard Oil in 1898. There was considerable debate in Canada whether the government should bar the acquisition, or even expropriate Imperial. But in the end Ottawa allowed free enterprise to take its course. "One of the hallmarks of the Canadian economy has always been welcoming direct foreign investment," says Martin. "It is one of the pillars that has made the economy strong."

Which is not to say that foreign capital only flows in and only raw materials flow out. The evidence is the Autopact. Under the Johnson administration the big U.S. automobile companies wanted to rationalize their production, Martin explains. A good deal of parts production and even assembly moved to Canada, especially along the shores of Lake Ontario east of Toronto.

"For the first time since the 1920s Canada became a net exporter of

cars," says Martin. "The difference this time was that most of those cars were going to the U.S., whereas the bulk of previous exports were to Europe. To this day Canada remains a major player in the auto industry. Parts maker Magna International, based in Aurora, Ontario, is one of the largest corporations in Canada."

There are also pure elements of financial history in the Rotman School list. In many cases worldwide and especially in Canada, the U.S. serves as an exemplar. In the case of banking, the U.S. offered a cautionary tale. "The U.S. Constitution is ambiguous about financial regulation," says Martin. "Canadians were especially conscious of the difficulties in the U.S. between the first and second Banks of the United States, and also the period between the second bank and the National Bank Act of 1863. The Fathers of Confederation meeting in Quebec City in 1864 made sure to specify that banking in Canada was subject to federal regulation."

Perhaps the most startling item on the list is the assertion that Canada was the country hardest hit in all the

20 Most Important Business Events in Canadian History

KEY	DATE	EVENT
TOP 10		
G	1670	HBC incorporated
G	1817	Bank of Montreal incorporated
G	1874	Montreal Stock Exchange founded
G	1878	The National Policy; a protective tariff, a transcontinental railway and settlement of the West
T	1896	Beginning of rapid development of Canadian Prairies as a result of technological innovation (milling/grain) and the end of free land in the U.S.
G	1934	Bank of Canada created
G	1947	Imperial Oil discovery of Leduc 1, a major oil deposit
G	1965	Autopact Agreement is signed with the U.S.
G	1967	Suncor begins pioneering commercial development of the Oil Sands
G	1989	Free Trade Agreement with the United States goes into effect
NEXT 10		
G	1864	Quebec City Conference — Banking and currency to be federal functions
G	1869	Timothy Eaton opens his first store
G	1885	Completion of Canadian Pacific Railway and Canadian Pacific Telegraph
M	1928–33	Canada hardest hit country by Great Depression GDP/capita declines 35%, Canada's trade by 65% and the stock market by 84%
G	1953–56	Western Canadian Oil and Gas begin to arrive in Ontario through Interprovincial Pipeline and Trans Canada Pipeline
G	1959	Completion of St. Lawrence Seaway
G	1987	Banks permitted to enter trust, investment banking, insurance and mutual fund business
G	1995	CNR privatized and became the most efficient rail carrier in North America
G	1999	The BlackBerry is introduced by RIM
G	2004	Manulife acquires John Hancock, the biggest takeover by a Canadian institution in history

Legend

- G Government action / legislation / policy
- T Technological development or innovation in thought
- M Milestones
- G Corporate event — related to a business or industry

world by the Great Depression, even more so than the U.S. and Germany. "I am in no means minimizing the impact of the Depression on the U.S. or Germany or any other country," says Martin. "Indeed the U.S. was the second-hardest hit."

The most commonly cited unemployment figure for the U.S. at the bottom of the Depression is 24%; Martin notes that Canadian unemployment hit 30%. Most telling are the figures for gross domestic product per capita: Martin cites GDP in 1929 for the U.S. at \$6,899, for Germany at \$4,015 and for Canada at \$5,065. By 1933 those numbers had dropped to \$4,777 for the U.S., \$3,556 for Germany and \$3,370 for Canada.

Other citations on the list will be a little more familiar to non-Canadians. The history of the Hudson's Bay Company, founded in 1670, is deeply intertwined with all of North American history, and has been the subject of many books and retrospectives. The stories of the trans-Canadian telegraph and railroad are every bit as thrilling as those of their U.S. counterparts. And the ubiquity of the BlackBerry personal digital assistant is testimony that Canadian technology can run with the big dogs of Silicon Valley.

It is fitting that the most recent event on the list is the acquisition of John Hancock, the Boston insurance firm named after the legendary signer of the Declaration of Independence, by Manulife Financial. Somewhere, the executives of Imperial Oil are smiling. **FH**

Gregory DL Morris is an independent business journalist based in New York. He is principal and editorial director of Enterprise & Industry Historical Research, and is an active member of the Museum's editorial board. He can be contacted at gdlm@enterpriseandindustry.com.



ENTERPRISE & INDUSTRY HISTORIC RESEARCH

- Incisive And Objective Business Journalism
- Rigorous Research And Resonant Writing
- Vivid And Compelling Exhibits

Projects of any size undertaken worldwide
on a fixed-fee, hourly, or per-word basis.

Work independently, or in conjunction with
in-house or outside communications teams.

Free Initial Consultation

www.enterpriseandindustry.com

Telephone 646-256-4486

e-mail:

inquiry@enterpriseandindustry.com

Main Office

P.O. Box 250867

New York 10025

Regional Offices

Ithaca, NY; Houston;

Vancouver

*Learn Something Old
Every Day*



Toward a Social History of Investment

By David Hochfelder



RECENTLY, ECONOMIST Robert Reich noted that “the financial pages, which used to be read exclusively by the very rich, now rival the sports pages in provoking general interest.” And for good reason: today more than half of all American households own stock, typically through mutual funds and retirement accounts. Nearly all have an interest-bearing bank account. A greater percentage of Americans own securities than the citizens of any other country.¹ A brief history of how this democratization of savings and investment occurred can tell us much about changing individual relationships to the economy.

Broadened participation in savings and investment had its origins during the country’s transition to capitalism in the late 18th and early 19th centuries. Although historians are still debating the timing, extent and depth of this transition, it is clear that by the turn of the 19th century ordinary

Americans had become enmeshed in the “cash nexus,” a web of economic relationships relying on money. Another important feature was the spread of investment among ordinary Americans. Investment differs substantially from speculation, although there is often a blurred boundary between the two. Investment is a personal participation in, and expectation of profit from, the natural processes of long-term economic growth, while speculation refers to short-term, high-risk and high-payoff transactions.

There were three overlapping stages in the expansion of popular participation in savings and investment. First, savings banks were the initial institutions to provide a way for people of small means to save. Originally a British idea, the first savings bank in the United States was founded in Boston in 1816. By the early 20th century, about half of the adult American population had savings accounts.

Second, Americans of modest means first entered the securities market through their purchase of small-denomination government bonds issued during the Civil War. The federal government financed its involvement in the two world wars again by targeting small savers. Third, after about 1880 more and more Americans entered the stock market through new technologies and institutions like the stock ticker, bucket shops, discount brokers, mutual funds and recently Internet trading.

Savings Banks: An Experiment in Philanthropic Finance

During the Napoleonic Wars, a British colonel asked the Duke of Wellington to support regimental savings banks for his troops. Wellington reportedly replied, “Has a soldier more pay than he requires? If he has, it should be lowered to those enlisted hereafter.” As Wellington’s remark shows, the

idea that the lower and middle classes should have access to savings and investment opportunities was novel and controversial. Indeed, the rationale for establishing savings banks at that time was more philanthropic than financial, as a way for the so-called “deserving poor” to alleviate their poverty without recourse to public charity like the workhouse.

In 1816, the *Christian Disciple*, a small Boston religious monthly magazine, noted with approval efforts to establish a savings bank in that city: “It is not by the alms of the wealthy, that the good of the lower class can be generally promoted. By such donations, encouragement is far oftener given to idleness and hypocrisy, than aid to suffering worth. He is the most effective benefactor to the poor, who encourages them in habits of industry, sobriety, and frugality.” The Massachusetts state annual report on savings banks for 1860 noted approvingly that the large number of savings accounts reflected credit on both the “prosperity” and “moral condition” of the working classes of the state.

The largest experiment in philanthropic finance was the Freedmen’s Savings Banks set up during Reconstruction to aid the newly-freed slaves. Between 1865 and 1871 the bank opened 37 branch offices in 17 states and the District of Columbia, with an estimated 70,000 depositors averaging about \$40 per account. The bank also trained African Americans in business methods, employing many as clerks and officers. Like its predecessors, this bank combined personal finance and moral exhortation. An 1867 pamphlet for the bank urged depositors, “Tobacco and Whiskey are the two things which all men who are going to save money must neither touch nor taste.” Up to 1870, the bank invested mainly in federal bonds. Speculators eager to tap the bank’s deposits convinced Congress in 1870 to amend its charter to allow it to make real estate loans. The Panic of 1873 caught the bank overextended,

particularly in loans to the failed financier Jay Cooke. Even famed abolitionist Frederick Douglass, its last president, could not save it from going under, and it closed its doors in 1874. Half of the depositors eventually received about three-fifths of the value of their accounts, while the other half lost all. The failure of the Freedmen’s Savings Bank discouraged blacks from opening bank accounts for another generation. At the turn of the century, W.E.B. DuBois wrote that “not even 10 additional years of slavery could have done so much to throttle the thrift of the freedmen.”



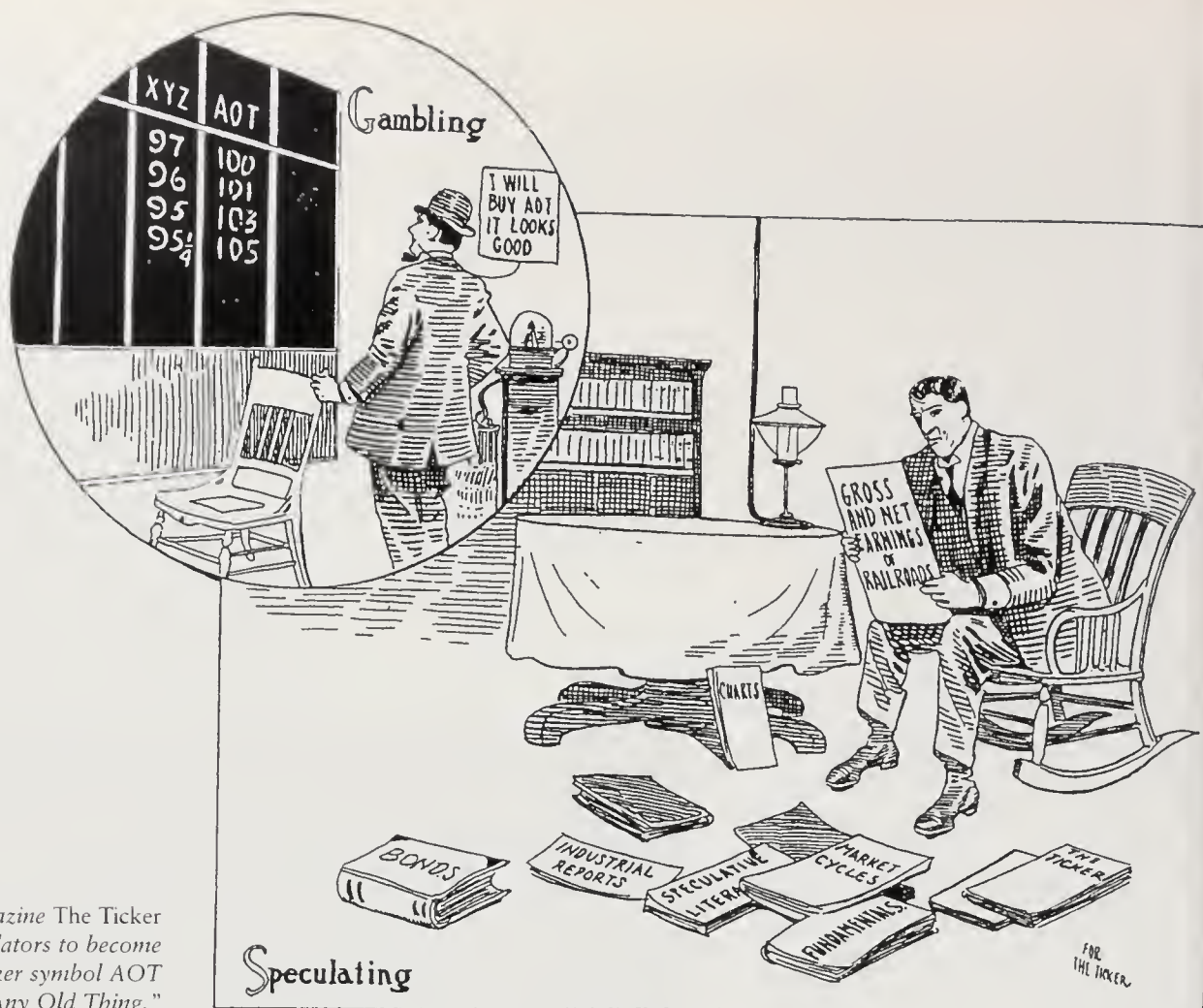
The tickers at a major New York bucket shop, around 1900.

Most savings banks did not engage in the risky investments that the Freedmen’s Savings Bank did, but backed their deposits with state and federal bonds. As the working class grew used to saving, the number of depositors and the size of accounts both increased. Historian Rohit Wadhvani found that on the eve of the Civil War, the nation had 278 savings banks, 694,000 depositors, and an average account size of \$214; by the turn of the century 6.1 million depositors held an average of \$401 in their accounts at 1,002 banks.

Mobilizing Citizen Savers for War

The Civil War changed the nature of public finance in the United States. Lincoln’s first Secretary of the Treasury, Salmon P. Chase, created a modern national banking system and paper currency, instituted income and luxury taxes, and issued over \$3 billion in bonds. In October 1862 Chase sought a way to increase government borrowing, and rejected the traditional method of selling them to underwriting bankers, who would have then sold

them at a large profit to a select group of wealthy investors. Instead, he turned to Philadelphia financier Jay Cooke, who deliberately targeted citizens of modest means. Cooke emphasized that “the *people* should participate in the advantages of the Loans,” and he reassured small investors that the bonds were “a safe investment of their earnings and means.” Through aggressive advertising and an army of some 2,000 agents in every state and territory, Cooke sold some \$830 million of these bonds before the war’s end. By the end of the war, more than



A 1910 cartoon from the magazine *The Ticker* exhorting bucket shop speculators to become responsible investors. The ticker symbol AOT on the blackboard meant "Any Old Thing."

The Difference.

a million northerners, or a quarter of the North's families, had bought federal government bonds.

However, the Civil War bond issues had little permanent effect on the investing behavior of Americans of small means. At the end of the war Treasury Secretary Hugh McCulloch halted government borrowing, thus foreclosing the opportunity for small investors to buy more bonds. And those small bondholders who might have become habituated to investing in securities found that high margins and large lot sizes barred their entry into the stock market. As historian Steve Fraser has quipped, "mass fascination with, and even admiration for, Wall Street was largely a spectator sport" until the 20th century.²

The country's entry into the First World War in 1917 saw a revival of efforts to market bonds to small savers.

This time many bondholders used their bonds to purchase stock after the war. The federal government rolled out five bond issues totaling \$23 billion, which defrayed about three-quarters of the cost of the war. Some 22 million Americans bought bonds, about a fifth of the population. The government marketed them to all segments of society, even schoolchildren. Social historian Lizabeth Cohen found that more than four-fifths of Chicago's unskilled stockyard workers owned Liberty Bonds. Bond rallies partook of contemporary mass entertainment and celebrity culture, using movie stars and professional athletes as promoters. Fraser claims that the bond issues gave these 22 million bondholders "their initiation into the elementary rites of investment, a kind of toe-in-the-water experience that would embolden many to plunge much deeper in the decade ahead."³

The Dispersion of Stock Ownership in the 20th Century

Fraser's remarks point to the widely held truism that the war bond issues led to a great dispersion of stock ownership in the 1920s. There is validity to this truism, but the roots of dispersed stock ownership lay 40 years before, during the widespread introduction of the stock ticker around 1880.

The stock ticker helped democratize the stock market by broadcasting share and commodity quotations to several thousand locations throughout the country. Bucket shops, the financial equivalent of off-track betting parlors, arose after the widespread introduction of the ticker, and they were early and enthusiastic subscribers to this service. Bucket shops used these quotations as the basis for customers' wagers on the



This 1883 board game showed the public's fascination with, but inability to participate in, the stock market.

price movements of stocks and commodities, but customers could not take delivery of actual certificates or agricultural products.

Barred from direct involvement, speculators of small means thus participated, however vicariously, in securities and commodity markets. The nation's leading exchanges, the Chicago Board of Trade and the New York Stock Exchange, spent nearly three decades fighting the bucket shops, and succeeded in driving them out of business only on the eve of the World War. Many former bucket shop speculators opened accounts with odd-lot brokers and entered the legitimate marketplace. Wall Street gave small investors a new-found welcome in the 1910s, partly to tap this new market and partly to stave off Congressional investigations and potentially adverse legislation. While the Liberty Loans enticed many new investors into the stock market, historians have been notoriously unable to agree upon the number of individuals owning stock in

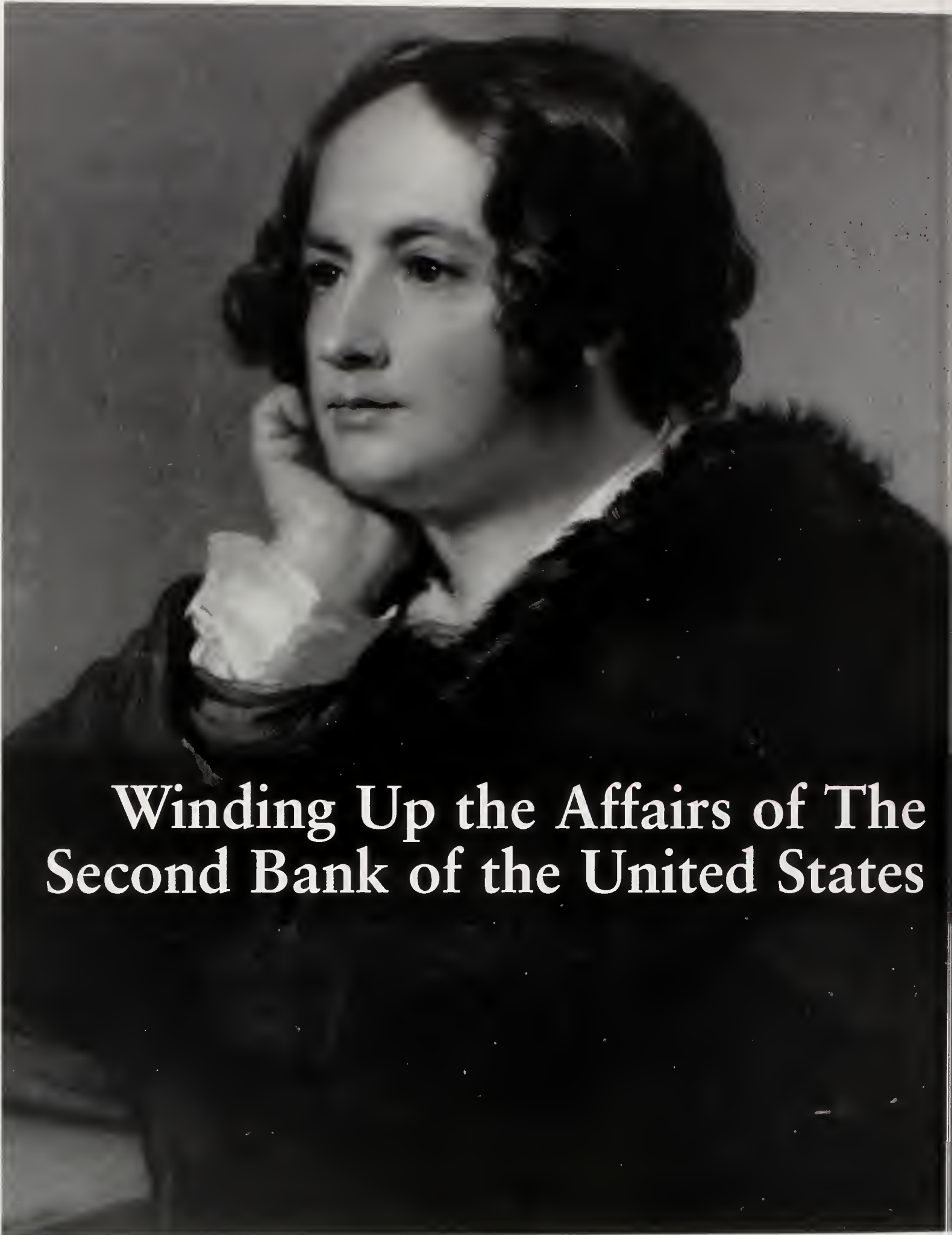
the 1920s, with estimates ranging from 4 to 14 million. By all accounts, however, the number of stockholders doubled between the turn of the century and the early 1920s.

Although stock ownership in the 1920s was confined to only about 5% of the population, or about 10% of families, it is clear that the nature of stock ownership had changed. Harvard economist William Z. Ripley concluded that stockholding "used to be confined to the wealthy and the well-to-do class. Now it comprehends the small householder and large numbers of wage earners."⁴ During the 1920s the diffusion of stock ownership came from three major sources: holders of Liberty Bonds, electric utility ownership plans, and employee profit-sharing plans, each accounting for about a million new stockholders.

Stock ownership remained roughly static during the Great Depression and World War II. But today more than half of all families own stock, with most of this increase coming since

1980. Three developments have been responsible for the explosion of stock ownership in the past generation. First, the 1950s saw the rise of brokerage houses, particularly Merrill Lynch, that catered to the small investor. Heightened interest in the stock market, coupled with new high-tech aerospace and electronics companies, helped create the "go-go" years of the 1960s. The bear market of the 1970s led the New York Stock Exchange to entice investors back by deregulating brokers' commissions. Retail brokers like Charles Schwab took advantage of this opportunity to recruit new or returning investors. Second, the 1980s saw an explosion in institutional investing, typically through retirement accounts, either pension funds or mutual funds. In 1982 there were some 340 mutual funds; by 1998 that figure had risen by a factor of 10. In 1984 about 7.5 million people owned stocks through mutual funds; by 2000 about 34 million did. Finally, the

continued on page 38



Winding Up the Affairs of The Second Bank of the United States

By Richard H. Kilbourne, Jr.

THE UNITED STATES'S first experience with central banking, in the modern sense of that term, occurred in the early decades of the antebellum period (1816–1836). The Second Bank of the United States, under the management of Nicholas Biddle, had developed many of the attributes of modern central banking before President Andrew Jackson vetoed its re-charter in the midst of a heated campaign for re-election to a second term as President in 1832. This included regularizing the course of foreign exchanges and issuing a currency which could be pressed on all parts of the country.

The Second Bank conducted its operations in the midst of a plethora of state chartered banks which also, like the Second Bank, issued bank notes and checks which circulated like money, or more precisely, fiat money. A bank's life blood was its circulation. State banks often found themselves in debt to the national bank because their notes and checks accumulated at

interest and principal payments due by the federal government to foreign holders of its debt. Early on the national bank had concentrated its resources at the western branches along the Mississippi River, in the heartland of the nation's staple producing regions. It was thus able to make the market for both domestic and foreign bills, especially sterling bills. Its most important branch was at New Orleans where a large part of the foreign exchange from staple agriculture originated.

Bill prices fluctuated according to supply and demand, but because the Second Bank's operations were so extensive, exchange generally traded in a very narrow band of two or three percentage points.

The bank intentionally kept exchange premiums low, suppressing them to insure that demands on the United States Treasury, which had arisen elsewhere in the world, could be met at a low cost. Nicholas Biddle acknowledged to a correspondent after the expiration of the bank's char-

Natchez, Mississippi, in 1831, the year before the re-charter crisis sealed the fate of the "monster" bank. That branch is important because it is the only one whose records have survived. The records of the parent bank in Philadelphia were sold for pulp in the 1840s. The Natchez branch was also important because it ranked among the top tier of branches in the country. The Second Bank's discount lines of accommodation paper [local loans] were larger there than the bank's accommodation portfolio at Boston.

The Second Bank, and its successor, became deeply involved in Mississippi. No state, Biddle wrote, "in proportion to its population ... [gave] the greatest amount of produce saleable for cash." To Biddle "cash" meant sterling exchange, acceptances that created credits for Americans to spend in England and elsewhere in the world.

In order to support their circulations, the national bank and the state banks had to attract both domestic and foreign bills to their discount windows. This was only possible if they

A Lesson For Our Times?

its branches. Balances had to be settled promptly with either domestic or foreign bills of exchange or the Second Bank's own circulation. The national bank, however, could settle its balances with the state banks with checks drawn on its parent or one of its branches.

As the government's fiscal agent, the Bank of the United States was required to raise large amounts of foreign exchange in order to meet the

ter in 1836 that the bank had manipulated the market for both foreign and domestic bills of exchange. The late bank had "brought the exchanges down to the lowest limit of price." The power to set the price of bills was an immense one and may represent the most significant intervention in the money markets of that day by a quasi governmental agency.

The last branch to open in the Second Bank's nationwide system was at

were able to afford more-or-less permanent accommodation loans to the individuals and syndicates which dominated the staples markets at places like New Orleans and Natchez. Within weeks of its opening, the Second Bank had discounted upwards of \$1.5 million of accommodation loans

Opposite page: American financier Nicholas Biddle served as president of the Second Bank of the U.S.

at its Natchez branch, principally for the agents of planters in the region.

The one existing state bank in Mississippi, the Bank of the State, found the demands on its most liquid assets so great, because of balances which would accrue against it at the new branch, that its shareholders voted to surrender the bank charter and commenced liquidation. Management began by curtailing that bank's own accommodation portfolio, but it found that its debtors were slow to pay off their permanent loans. The bank then resorted to discounting long dated bills on New Orleans, most of which fell under protest in subsequent years. Accommodation paper, then, had found its way into the exchange markets. For the bank, the most immediate consequence was that it was unable to retrieve its own liabilities from the marketplace.

Accommodation loans may not deserve the opprobrium which has been heaped on them by generations of historians. They were always secured with endorsements, not mortgages or pledges. Any bank which hoped to attract a viable traffic in domestic and foreign exchange had to provide its clientele with what were essentially long-term loans that were renewed, in most cases, semi-annually. A bank might expect to attract two or three dollars of domestic and foreign exchange for every dollar it lent out in accommodation loans.

The Bank of the State's embarrassment after it entered liquidation, however, contained a valuable lesson; one that would be repeated many times in Mississippi and elsewhere as banks everywhere contracted their credit facilities in futile attempts to shrink their own liabilities (i.e. their circulation and checks). A pattern of relentless curtailments of existing accommodation loans would become ever more pronounced in the years after 1833. Commercial agents tried to answer the calls with long dated bills drawn on correspondents outside their locales,

hoping that their clients would provide them with funds at some later date to meet the maturing bills. The curtailment of accommodations in one location was thus communicated far and wide as the exchange channels became clogged with what were really nothing but loans to bridge the credit stringency caused by the curtailment of accommodation loans at local banks like the Bank of the State.

*The power to
set the price of bills
was an immense one
and may represent
the most significant
intervention in the
money markets of
that day by a quasi
governmental
agency.*

For reasons which are unclear, the Second Bank ceased purchases of sterling bills at places like New Orleans and Natchez in the fall and winter of 1833–34. This maneuver made little sense, especially in light of the expiration of its charter three years hence. If the national bank had any hope of keeping the channels of commerce liquified, sterling bills and credit facilities abroad would answer best for its needs as its own circulation flowed back to Philadelphia. The bank's absence led to chaos in the foreign exchange markets.

The credit crisis, which would lead to the great national suspension by all the banks in April of 1837, seems to have had its roots in this important event. The decline of sterling bill

prices affected exchange prices throughout the country, thus foreclosing credit facilities which would be slow to reopen.

After 1832, the Second Bank, too, curtailed its portfolio of accommodation loans. It retrieved about 25% of the branch portfolios in the Lower Mississippi Valley. Thereafter, the bank's local boards resorted to taking long dated bills on New Orleans and eastern seaboard cities like New York to satisfy the curtailments. By 1834 the Natchez branch's ledger contained a new category of assets, i.e. bills of exchange under protest, and it swelled in the last two years of the Second Bank's life.

The Second Bank sold its portfolios of unliquidated accommodation paper and protested exchange to state banks at all of its western branches. By the time its charter had expired, a large portion of its capital remained to be reclaimed from places like New Orleans, Natchez, Nashville and St. Louis. Still, its circulation pressed back on the parent in Philadelphia, and the bank's specie reserves fell from \$17 million in 1835 to \$1 million in 1837.

The inspiration for chartering a new state bank in Pennsylvania to receive all the assets and liabilities of the Second Bank, then, probably derived from the illiquidity of its assets. It would turn out to be a terrible miscalculation, however. The portion of the bank's capital which had been repatriated to Philadelphia, instead of being kept in a liquid form, was immobilized in the stocks and bonds of improvement companies like the Morris Canal and Banking Company. That was another great miscalculation.

The newly-chartered United States Bank of Pennsylvania made yet another mistake under Nicholas Biddle's not-so-able leadership when it tried to continue operating in southern exchange markets via surrogates. The successor bank was not a national bank in any sense of that term.



Collection of the Museum of American Finance

The Second Bank of the U.S. in Philadelphia.

Huge demands were made on the new bank's resources. Pennsylvania extracted \$4 million for the new state charter. The federal government wanted no part of the new bank, so its stock in the Second Bank, then valued at \$4 million, was to be settled in four annual installments. Biddle met all of these demands by simply issuing more demand notes and checks. And, for a while, it worked.

In retrospect, the course Biddle pursued in the period preceding the suspension in 1837 and afterwards was simply reckless. Agents of the United States Bank were able to market upwards of \$16 million of paper in Europe largely because of his unblemished reputation. Hope and Company, the Rothschilds, the Barings, the

Browns; all were left holding huge deposits of collateral securities which they had accepted from the bank's European agent, Samuel Jaudon, for credits they had granted after 1837.

Biddle increased the new bank's exposure to Mississippi, advancing millions more on dubious speculations that were intended to enable the Mississippi banks to resume paying specie in 1839, along with the banks of Philadelphia and New Orleans.

Banks in suspense were banks in deep trouble. Their assets, i.e. their loans, steadily lost value as the value of a bank's own demand liabilities declined in the money markets. A bank in suspension had no choice but to curtail its loans, often at a sacrifice, and redeem all of its demand liabilities

from circulation. Then it might resume discounting undoubted paper on a very limited basis, provided it could tender specie when so requested by someone wishing to exchange bank notes for specie.

Banks elsewhere in the country attempted to resume redeeming in specie in late 1838 and in January of 1839. In many places, like Mississippi, resumption was merely nominal. Many banks simply lacked the liquidity to re-open their discount lines and were forced to make sacrifices of their accommodation portfolios in order to retrieve their own demand obligations. Such conditions prevailed at Natchez in the wake of resumption. Curtailments continued without respite.

continued on page 38



HIGH COTTON AND PHANTOM FERTILIZER TANKS THE GRAND SWINDLE OF BILLIE SOL ESTES

By Ron Hunka

WHEN PRESIDENT JOHN F. KENNEDY opened his press conference in the State Department auditorium on May 17, 1962, the first question posed to him was about Billie Sol Estes, a wealthy Texas agri-businessman, who had been indicted the previous month in a complicated fraud case that also involved U.S. Department of Agriculture officials and 23 private companies. Well briefed, Kennedy responded that there were 76 members of the FBI currently working on the matter.

Ultimately, the Estes investigation would cast doubt upon the integrity of the Department of Agriculture's administration of price support programs. Eventually, the affair produced other sensational allegations, some of which have never been resolved. With Estes's indictment, the multi-millionaire resident of Pecos, Texas—population about 12,000, roughly 200 miles east of El Paso—gained overnight, national notoriety.

Only a week after President Kennedy's press conference, Estes achieved a distinction shared by some of the most famous and infamous of our era, an appearance on the cover of *Time*. In addition to that disesteem, three separate musical parodies lampooned Estes—"The Ballad of Billie Sol Estes" by protest singer Phil Ochs, "Oh Look What You've Done, Billie Sol, Billie Sol" by comedian Allan

Sherman, and "The Ides of Texas" by the folk group, the Chad Mitchell Trio.

Apart from the FBI inquiry, the Texas Attorney General's Office, the House Government Operations Subcommittee, and the Senate Permanent Subcommittee on Investigations launched separate investigations. Arkansas Senator John McClellan, who chaired the latter, characterized the Estes affair as "the darnedest mess I've ever seen."

SOL SHINES EARLY

Brought up in the Church of Christ, Estes, whose wife called him "Sol," seemed an unlikely swindler. He did not smoke, drink, swear or dance. Born in Abilene in 1924, Billie Sol Estes was one of six children in a family so poor that his father had had to sell some of his favorite dogs to pay the doctor who delivered him.

Early on, Estes demonstrated a precocious ability for "the deal." At age 12, he negotiated a trade of his family's barn of oats for a tractor to relieve his father from plowing with a team of horses. As a high school student at the age of 15, he persuaded a local banker to lend him \$3,500 to acquire 17 boxcars of U.S. government surplus wheat. He had flyers printed and persuaded his high school football team to unload the grain. He sold more than three million pounds of that wheat to local farmers.

In 1946, Estes married and moved to Pecos, a dusty farming and ranching town, where he saw an opportunity. Land was relatively cheap, but, for cotton production, it required irrigation. That was prohibitively expensive with the electrically-powered pumps then in use. But Estes knew that the area had plentiful natural gas and recognized that it would be a cheaper fuel.

Though no gas lines then ran to Pecos, Estes convinced an area gas company to lay them. That accomplished, he went into selling gas-powered irrigation pumps. Previously unproductive land soon became productive. Next, Estes began selling inexpensive anhydrous ammonia fertilizer to increase cotton production. It was a large success, and his fertilizer sales also gave him an inroad to the grain storage business of his customers. Before his 30th birthday, Estes was a millionaire.

STRANGE POLITICAL BEDFELLOWS

With his newly-acquired wealth, Estes soon made connections with prominent Texas politicians through large donations to the Democratic Party and individual campaign funds. Among the national office holders Estes knew were men such as Senator Ralph Yarborough and Speaker of the House Sam Rayburn. In 1958, he met and



The cover of the May 25, 1962 issue of Time magazine featured Billie Sol Estes.

began developing influence with then Senate Majority Leader Lyndon Johnson. By the early '60s, at the height of his political influence, Estes was powerful enough to command prominent tables at events in Washington such as Kennedy's birthday party on May 27, 1961 and the administration's inaugural dinner on January 29, 1962, seated near Lyndon Johnson.

During Pecos's cotton prosperity, the Department of Agriculture began

to regulate and control cotton production. This policy change had a significantly damaging effect on Estes's business. However, he contrived a complicated scheme through which he arranged to transfer local farmers' cotton allotments to his own land inexpensively. In this way, Estes gained control of 3,200 acres of allotments from 116 farmers.

In 1960, Estes's questionable cotton allotment scheme came to the

attention of Henry Marshall, an employee of the Department of Agriculture in charge of overseeing cotton allotments in Texas. After investigating, on August 31, Marshall wrote to his superiors in Washington urging that the allotment regulations be strengthened to ban any further transfers of this type. On January 17, 1961, on his farm in central Texas, Marshall advised an attorney representing Estes that his client faced potential prosecution over his cotton allotment scheme. About a week later, Estes had A. B. Foster, the manager of Estes Enterprises, contact Clifton Carter, a close aide to Lyndon Johnson, to request help with the Agriculture Department.

Shortly thereafter, Marshall received an offer of a higher level position in his agency in Washington. Nonplussed by what he perceived as a bribe, he declined. Instead over the next few months, he continued to monitor Estes. Speaking to 11 Texas county committees, through whom cotton allotments were administered, he warned of the illegal nature of Estes's allotment transfers. Also, he spoke to the farmers who had leased their allotments to Estes.

On June 3, Marshall turned up dead on his farm in central Texas, shot five times by his own bolt-action rifle. With little investigation, Robertson County Sheriff Howard Stegall declared that Marshall had committed suicide. No blood samples or fingerprints were taken, nor were any crime scene photos made. Marshall's truck was even washed and cleaned the next day. His wife, friends, the local undertaker and a respected Texas ranger, Clint Peoples, found it difficult to believe that Marshall had taken his own life.

THE PECOS DOCTOR WHO BROUGHT ESTES DOWN

In 1961, Dr. John F. Dunn, a Pecos surgeon, became suspicious of Estes's dealings and suspected large-scale fraud. Initially, he tried to interest the

Texas Department of Public Safety and Texas Republican Senator John Tower's office. However, these efforts did not meet with success.

Out of frustration, Dunn, with a partner, purchased the humble, bi-weekly paper, *The Pecos Independent and Enterprise*, as a vehicle for exposing Estes. On February 12, 1962, Dunn along with his editor, Oscar Griffin, who won the Pulitzer Prize, "blew the Billie Sol Estes business sky-high," in the words of a Texas historian. The paper's initial article pointed out that Reeves county, where Pecos was located, was "the anhydrous ammonia tank capital of the world—*on paper that is.*" [Emphasis added] The article observed that, with the reportedly 15,000 chemical fertilizer storage tanks in the county, there was one for "every four acres of cotton."

On March 6, following a letter that Dunn had sent to the FBI office in El Paso, Agent John F. Maurer met with Dunn in Pecos to explore the fraud allegations. Two days later, in El Paso, Maurer discussed his findings with Assistant U.S. Attorney Fred Morton. The outcome of the discussion was an investigation of Estes and some of his business associates. In less than three weeks, the allegations were sufficiently substantiated.

Estes had involved 98 individuals in a scheme in which he claimed he was short of capital and needed storage tanks to expand his fertilizer business. He persuaded these people to buy the tanks on their credit and lease them back to him. For the use of their credit he paid them a fee of 10% of the purchase price. He even convinced some of them to sign more than one purchase contract.

The supposed manufacturer of the tanks, Superior Manufacturing Company of Amarillo, unknown to Estes's buyers, was his partner in the fraud. When SMC received a check to manufacture storage tanks, from one of 12 finance companies being defrauded, it deducted a commission and placed the



Billie Sol Estes sits in the Robertson County courtroom, where he was subpoenaed to appear at the grand jury investigation of the death of Henry H. Marshall, on June 13, 1962.

balance in the account of an on-paper-only company, Texas Steel, from which Estes transferred the funds to other accounts that he used to acquire grain storage facilities. In February 1962, he had 54 million bushels of grain in storage for which he was receiving payment from the U.S. Department of Agriculture.

On March 29, the FBI filed charges for numerous counts of fraud against Estes along with Harold Orr, Ruel Alexander and Coleman McSpadden, all officers of Superior Manufacturing Company, and placed them under arrest.

Four days after the arrests, FBI agents questioned at length an accountant named George Krutilek who maintained the records of Estes's financial dealings with his tank buyers. On April 4, a rancher near Clint,

Texas came across Krutilek's car in a remote, sandy hills area. Inside, with an exhaust hose through a window, was the body of the 49-year-old accountant, the second man to die under suspicious circumstances in connection with the Estes affairs. An autopsy revealed no carbon monoxide in his body. The cause of death, ruled by local officials, was a heart attack.

FINDINGS OF THE SENATE INVESTIGATION

The Senate Permanent Subcommittee's investigation disclosed that three men in the Agricultural Adjustment Administration had accepted gifts from Estes, such as expensive suits and alligator shoes. Two were fired, and one resigned. Yet another disclosure called into question the integrity of the Sec-

retary of Agriculture, Orville Freeman. In September 1961, his department had fined Estes \$42,000 for his illegal cotton allotments scheme, and still Freeman, two months later, appointed him to the National Cotton Advisory Board.

When Wilson C. Tucker, deputy director of the Agriculture Department's Cotton Division testified, he stated that on August 1, 1961 Estes had threatened to embarrass the Kennedy administration unless the investigation into his business practices was stopped. Furthermore, Tucker testified, Estes had remarked that already the "cotton allotment matter had caused the death of one person."

After Estes' arrest, Secretary of Agriculture Freeman revealed that Henry Marshall had been a key figure in the investigation of Estes's illegal cotton allotment activities. Accordingly, a grand jury in Robertson County, where Marshall had died, belatedly ordered an autopsy. Dr. Joseph A. Jachimczyk of Houston, who performed it, found that in addition to the gunshot wounds in the body—three of which would have been fatal—there was a carbon monoxide concentration of 15 percent. However, one of the grand jury members, who was allegedly dominant in the deliberations, was Pryse Metcalfe, the son-in-law of Sheriff Howard Stegall. Incredibly, the grand jury failed to overturn the suicide ruling.

CRIME AND PUNISHMENT

By autumn 1962, Billie Sol Estes found himself under indictment by four grand juries. From them, two trials resulted, the first state, the second federal. The charges in both trials involved fraud and embezzlement.

The first trial began in Tyler in October 1962. Estes's attorney was John D. Cofer, a loyal friend and longtime legal counsel for Lyndon Johnson. It was Cofer who had represented Johnson in a Fort Worth court hearing over the controversial 1948 Texas

Democratic primary. After a hotly contested recount of one box in notoriously corrupt Duval county, Johnson had emerged as the winner by a margin of 87 votes, a victory which had brought him to the senate and earned him the lamentable nickname of "Landslide Lyndon."

Cofer's representation of Estes raised suspicion about Johnson's involvement in his affairs. Estes was known to have been a large political contributor to Johnson's campaigns. In 1983, when Estes's daughter wrote a book about her father, she alleged that Johnson had once angrily called the Estes home before dawn over the tardiness of a \$500,000 political donation.

In the trial, Cofer not only kept Estes off the stand, but called no defense witnesses whatsoever. This strategy got Estes convicted and sentenced to eight years in prison. On the other hand, little if anything about Johnson's involvement with Estes was disclosed. The verdict of this trial was later overturned by a five-to-four decision of the United States Supreme Court, due to the use of television cameras in the courtroom, over defense objections.

In March 1963, Estes went on trial a second time in federal court in El Paso. The charges in a 29-count indictment for \$24 million in mortgage fraud related to the numerous non-existent fertilizer tanks. Again Cofer represented Estes and called no defense witnesses. The jury found Estes guilty, and U.S. District Judge R. E. Thomason sentenced him to 15 years in prison. In pronouncing sentence, Thomason castigated Estes for being "the perpetrator of one of the most gigantic swindles in the history of our country."

In between the two trials, one of Estes' partners in fraud, Roy Orr, the president of the Superior Manufacturing Corporation, who had received a prison sentence when he pled guilty, was found dead in his garage—the ruling, suicide by carbon monoxide

inhalation.

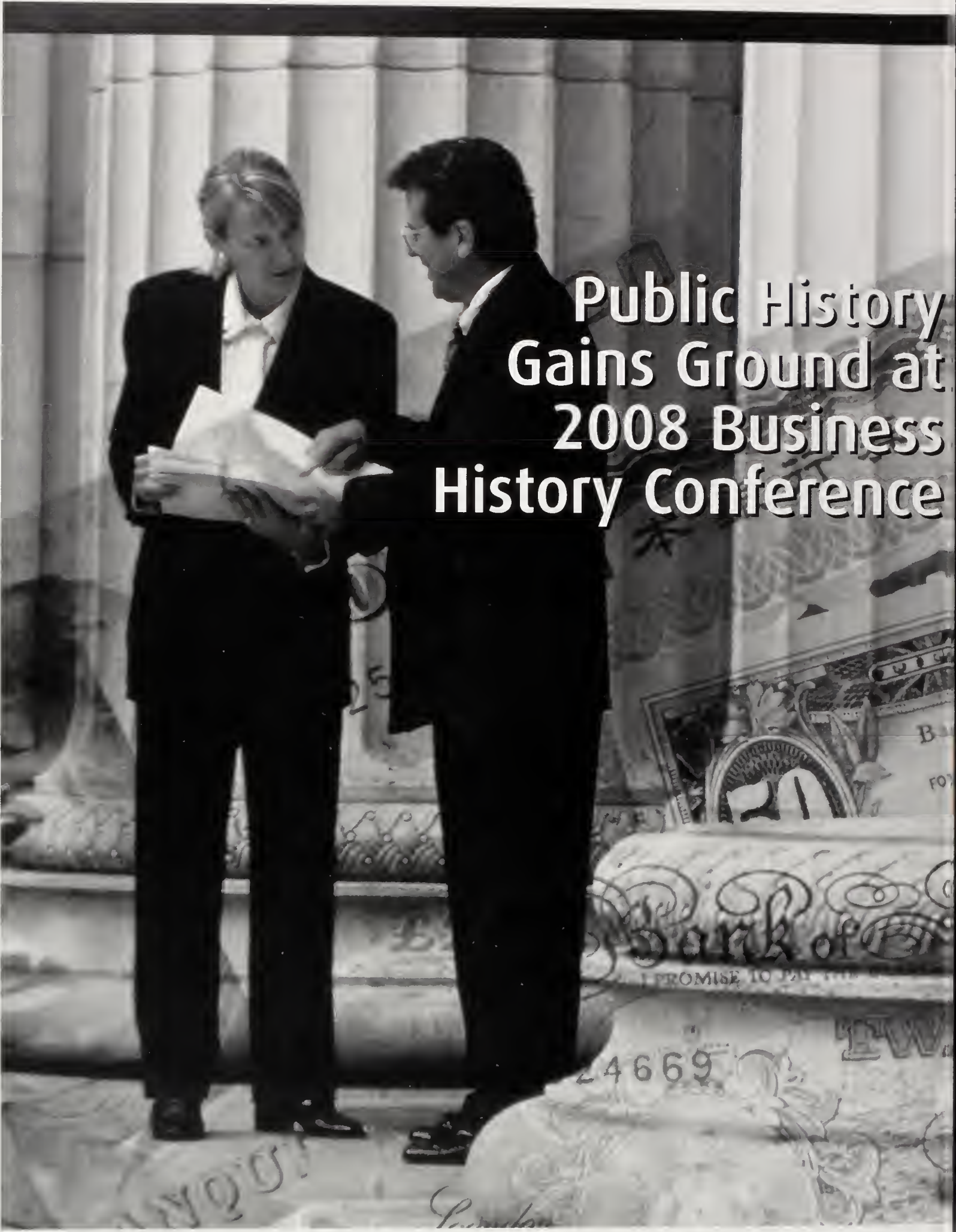
In 1964, Estes went to prison. After serving more than six years, he was released by the U.S. Parole board in Washington on April 27, 1971. However, he later returned to prison for violation of his parole in 1979. That same year, Estes, in prison, told retired Texas Ranger Clint Peoples, who had continued to investigate Marshall's death, that when he got out he would tell what happened to Marshall. He kept his word. Three months after his final release from prison in December 1983 Estes testified before a Robertson County grand jury. His story was sensational.

When Marshall had declined the Washington promotion, Estes alleged, Lyndon Johnson, fearful of exposure for his role in the cotton allotment scheme, had decided to "get rid" of Marshall. Also implicated was Johnson's aide, Clifton Carter. The hit man, according to Estes, was Mac Wallace, a Johnson protégé and one time president of the student union at the University of Texas in Austin, who Johnson had once gotten a job in the Department of Agriculture. Wallace was a convicted murderer, who in 1951 had shot to death John Kinser, who was in a relationship with Josefa Johnson, Lyndon's sister.

For the most part, the grand jury dismissed Estes's testimony. Of those he alleged were involved in Marshall's death, only Estes was still alive. As a convicted swindler, he had a credibility problem. Nonetheless, four days later—23 years after Marshall's death—State District Judge Peter Lowry ordered that his death certificate be changed to "homicide by gunshot wounds." Henry Marshall's murder was never solved, and no charges were ever filed in the deaths of George Kruitlek or Roy Orr.

In a telephone interview on April 22, 2008, from his home in a small town near Fort Worth, Billie Sol Estes, now 84, conversed with this writer in

continued on page 39



Public History Gains Ground at 2008 Business History Conference



By Gregory DL Morris

RAILROADS ARE INTENSELY PRACTICAL things. Trains themselves are almost elemental in their utility. Railroad companies have always been capitalism writ large; indeed some like the infamous Erie were more vehicles for speculation and graft than for moving passengers and freight.

When the Business History Conference chose Sacramento, California as the site for its 2008 meeting, there was an obvious signal that public history, practical history, was to have a place at the table. The event took place April 9-12 at the Holiday Inn Capitol Plaza in the heart of downtown Sacramento, close to the historic district and the renowned California State Railroad Museum.

To be sure, this is still an academic-oriented event: many presentations were simply dissertations, the program was replete with colloquium sessions, and panels were led by “discussants” rather than “moderators.” But the efforts to expand beyond the ivory tower could not have been clearer. The opening plenary session was titled “Making Connections with the Press,” and the very first breakout session took on the timely and relevant topic of energy.

One early highlight was the packed luncheon sponsored by the working group with the prosaic title of Business Historians at Business Schools. The lively discussion and networking indicated that B-schools and their graduates are becoming more interested in history, just as historians are becoming more interested in business.

Another high point was the early Saturday breakout session on retail stock investing. Janette Rutterford of the Open University Business School in London delivered an eye-opening presentation on “Women Investors in England and Wales: A Class of Their Own.” Janice Traflet of Bucknell University in Lewisville, Pennsylvania,

addressed how the New York Stock Exchange came to court women as investors in “Mom, Apple Pie, and the Market.” And Paula Gajewski of Vanderbilt University in Nashville accomplished the challenging task of discussing the “Connections between the New York Stock Exchange and the Employee Retirement Income Security Act” with poise and pizzazz even early on a Saturday morning.

Rutterford identified democratization as an important theme that ran through the session. “There were some changes in the legal structure, and also the importance of one-pound shares, but the primary reason for the growth of investors were preferred shares and debentures that were seen as safer than ordinary shares.”

Through the 19th and early 20th centuries, women tended to buy preferred shares while men bought ordinaries, and women tended to buy shares of companies operating around the Empire, while men tended to buy domestic English companies, Rutterford added. She also noted that older investors began moving from illiquid assets, especially real estate, to liquid, usual preferred shares of well-known brand names.

Picking up a few decades after Rutterford left off and on the other side of the Atlantic, Traflet reported that while the economy had moved into the post-war expansion, stock ownership “was still stuck in the Depression. Only about 4% of Americans owned shares, and the turnover was very low.”

To jump-start growth, the New York Stock Exchange began in 1953 a specific information and advertising campaign aimed at women. The first stage of the program ran through 1961 and focused on women as homemakers and partners with their husbands in house holding and planning for the future. “Stock ownership was still widely seen as speculation or even gambling,” says Traflet. “Women were seen as legitimizers and influencers in getting the men in their lives into the



Presenters Janice Traflet (L) and Paula Gajewski (R) at the 2008 Business History Conference.

market." The NYSE slogan was "Own Your Share of American Business."

Stage Two of the campaign to attract women to the market began in 1962. Recognizing the gains that women had made across society, the NYSE began marketing directly to them as investors. "By that time the executives of the stock market had developed more faith in women as investors in their own right, and also faith in themselves as educators," said Traflet.

All the marketing efforts came to an abrupt stop in 1968, Traflet reported, because of the great paperwork crisis that the markets began to face. Drowning in their own success, they could not physically keep pace with the necessary record keeping that the democratization of the markets had brought.

Gajewski continued the democratization theme in her discussion of pensions. She emphasized the personal relevance of her topic, and got the presentation going on an active note by asking listeners, "Do you plan to retire someday?" All three presenters in the session were interactive. Sadly this was not the case throughout the conference: many presenters in other sessions simply read their papers without even looking up.

Gajewski identified the long-term trend that money for retirement has

shifted from a reward bestowed by the employer for good service to an individual right. But with that right comes a high burden of managing that money.

She also noted that the decline of the defined-benefit plan and the predominance of defined-contribution plans, such as 401(k), was a shift gladly embraced by company executives. "Funding pensions through investment gains left the company more capital to invest in the company. It also freed them from managing retirement plans to managing the company. Most managers were more interested in the fiscal health of the company than in the fiscal health of individual retirees."

The complications, said Gajewski, were that many individuals were not equipped to handle their own retirement planning. Also, she noted that at the same time people were taking on responsibility for managing their nest eggs, the availability of good-quality public free or low-cost research decreased as brokerages cut costs.

In this session discussant Martha Olney, of the University of California at Berkeley, deserves recognition as well. She led a proper discussion by comparing and contrasting points from all three presentations. She asked short, incisive questions of the presenters, and left plenty of time for questions from

the audience. More than a few of the discussants in other sessions seized the opportunity to hold forth on their own, not referring to the presentations and not leaving much time for questions.

Overall, though, presenters and discussants covered an impressive array of topics. There were more than 40 breakout sessions each with three or four presentations. Of those sessions at least a quarter of them eschewed the theoretical, academic or policy for lively business history and practical case studies. They included: energy, entrepreneurship, industry dynamics, retail stock investing, regulation, business failures, international investment, railroad problems and pharmaceuticals.

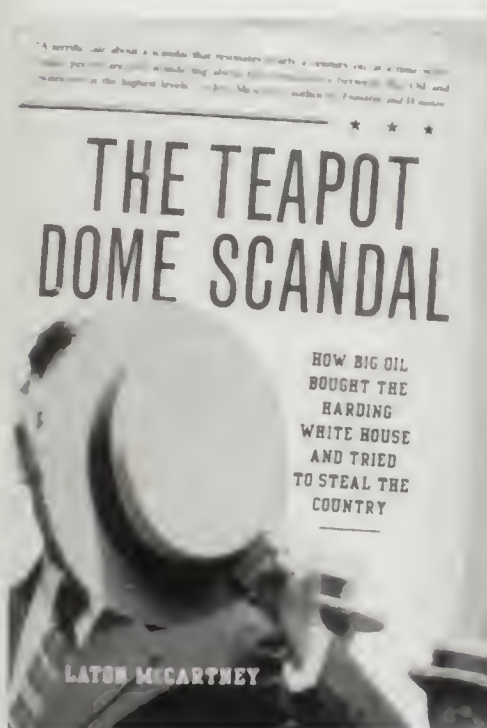
There was one session titled "Outside the Academy: Other Venues, Other Audiences." There was a roundtable discussion on "Connecting with the Public and Management." And Dick Sylla, Vice Chairman of the Museum's Board of Trustees and the Henry Kaufman Professor of the History of Financial Institutions and Markets at New York University's Stern School of Business, chaired a session on organizational imprinting. Sylla is past president of the Business History Conference.

Next summer the conference will take place June 11–13, 2009, in Milan, Italy, at the Università Commerciale Luigi Bocconi. The event will be held in conjunction with the European Business History Association. The theme is "Fashions: Business Practices in Historical Perspectives." Proposals for papers are due September 15, 2008. For information contact Roger Horowitz, secretary-treasurer, rh@udel.edu, or www.thebhc.org. **PH**

Gregory DL Morris is an independent business journalist based in New York. He is principal and editorial director of Enterprise & Industry Historical Research, and is an active member of the Museum's editorial board. He can be contacted at gdlm@enterpriseandindustry.com.

The Teapot Dome Scandal: How Big Oil Bought the Harding White House and Tried to Steal the Country

By Laton McCartney
Random House, New York,
2008, \$27.00
351 pages with photographs,
notes, and index
Reviewed by Gregory D. Morris



TEAPOT DOME is the archetypal historical name that everyone remembers from high school social studies class but no one remembers what it was about. That is a serious oversight because this is not only a ripping good story for anyone who relishes tales of political shenanigans, it is a flashing cautionary tale for our own times. The latter is clearly the author's intention. McCartney never mentions George W. Bush by name, or even makes direct reference to the current administration. But he does not have to. It would be difficult to misinterpret the picture he

paints of a Republican administration in thrall to the oil industry.

To be sure, the Democrats do not come out much better. Most of them only get interested in the Teapot swindle when they believe they can make political points from it, and are content to drop investigations when the public tires of the subject. The heroes are good-government Democrats and a few progressive Republicans. It is worth noting that when founded, the Party of Lincoln was the party of radicals and reformers, while big business tended to favor Democrats. Those two positions began to shift with McKinley and Taft, but with Harding and Coolidge the transposition between the Democrats and Republicans is completed. And you are there.

Fans of financial history will relish the devilish details of scandal within fiddle within shakedown within sell-out, with plenty of double-crosses in the process. There are out-and-out crooks, some appointed to high office; there are well-intentioned politicians and businessmen who go along to get along; there are penny-ante operators and high-minded do-gooders. There are millions of barrels of oil, and millions of dollars in payoffs. And murder. Yes, there will be blood.

The trouble with such a juicy story is that even the author gets a bit too excited. He uses foreshadowing a little too often, as if writing a mystery novel rather than straight history. McCartney also gets a little too chatty, sometimes referring to the reader in the second person. That seems to be the style these days, but it should be used always or never. A few times is jarring.

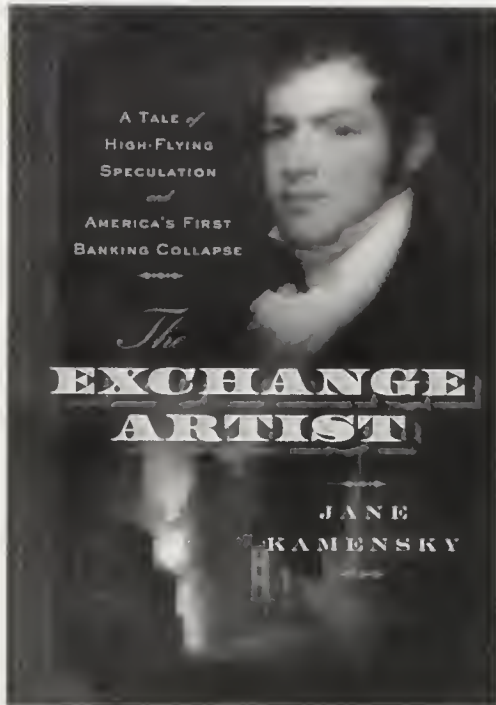
McCartney has done a remarkable job of digging out details, and following a complex interweaving of events. But for some reason he feels that entitles him to make broad assertions. For example, he states that one character is "probably gay," without citation and without explaining why that is relevant to the story. He does an excellent job of taking the reader into the time and place, but sometimes gets carried away with tangentials.

The basics of the scandal are that Harry Sinclair, "the Rockefeller of the West," and other major oil developers wanted rights to U.S. Naval Oil Reserves at Teapot Dome, Wyoming, and Elk Hills, California. Through intermediaries, they supported the dark-horse candidacy of Harding, and in return had allies named secretaries of the Navy and interior—the latter being the only name most people remember in conjunction with the scandal: Albert Fall. Montana Democratic Senator Thomas Walsh led multiple investigations over a decade. Half a century before Watergate, the question is raised, what did the President (and his Vice President) know and when did they know it?

Chapters are short, like news features, and have titles like "Napoleon and the Dutchman," "A Dog's Breakfast," "The Redhead, the Radical and the Attorney General" and "A Bribe as Big as the Ritz." The story is colorful, even picaresque, and covers the ground from dusty New Mexico towns to Washington hotel suites briskly and with obvious relish. Maybe too much relish. Here and there the storytelling gets in the way of the story. **FH**

The Exchange Artist: A Tale of High-Flying Speculation and America's First Banking Collapse

By Jane Kamensky
 Viking, New York, 2008, \$29.95
 442 pp. with notes, index
 and illustration credits
Reviewed by Sherman T. Brewer, Jr.



TO READ PROFESSOR Jane Kamensky's engrossing account of the meteoric rise and fall of Andrew Dexter, Jr. is to be reminded that financial excess has been an integral part of the American scene since the nation's founding. In her splendid narrative, the author brings us a vivid portrait of Dexter's life and times, illuminating both his actions in detail and the social climate and context in which he operated.

Born into a respectable but by no means wealthy family, he excelled at the Rhode Island college later named Brown University. As clearly reflected in his speech as class salutatorian, he embraced the prevailing ethos among young "go getters" that diligent application would yield wealth and posi-

tion. This energetic, optimistic outlook suited him perfectly.

He arrived in bustling Boston at the turn of the 19th century prepared and eager to take his place among the city's growing business and professional elite. Under the tutelage of his prominent uncle Samuel, a highly-successful attorney and legislator, young Andrew did indeed enjoy rapid success. Among Samuel's many distinctions were his appointments by John Adams as Secretary of War (1800) and Secretary of the Treasury (1801), during which time Andrew served as his private secretary in the nation's new capital.

Back in Boston and practicing law, Dexter continually bought and sold real estate, pursuing the most common mode of building wealth at a time when Boston boomed and expanded at a dizzy pace. Although not one of the original backers, he quickly became a supporter of The Exchange, a facility of a consortium of merchants organized and opened on August 1, 1804 for trading banknotes at a uniform discount. Known as "the Changery," it enabled notes issued by banks in the hinterlands to stand on almost the same footing as notes issued by more established Boston banks, eliminating the significant and varied discounts previously applied to notes of small outlying banks.

After becoming belatedly active in leadership of the Changery, Dexter seems to have soon realized it could be the vehicle for advancing his grand vision of a colossal temple of commerce whose vast trading hall would be the locus of all commercial and financial dealing in the city. Dexter dubbed his gargantuan building the Exchange Coffee House and drew

plans for a structure housing a hotel, numerous offices and shops, meeting halls and dining rooms in addition to an immense trading floor extending upward in a vast atrium to a dome seven stories above the ground. Finished with the finest materials available and dwarfing all other Boston buildings, the Exchange Coffee House must have been truly breathtaking both inside and out when it opened in April of 1809. Dexter was merely 30 years old.

Unfortunately for Dexter, by the time his opulent Exchange Coffee House officially opened, his financial condition had careened from precarious to desperate. As the author skillfully relates, the grand and elegant physical structure rested on a thoroughly rotten financial base, for Dexter had paid most of the huge sum required to build it with worthless banknotes issued by obscure rural banks he controlled. Most notable among these hapless "banks" were the Farmers' Exchange Bank in the hamlet of Gloucester, Rhode Island and another "bank" his henchmen created in Detroit, Michigan Territory, then a tiny and rude frontier outpost lacking any significant commercial activity.

It is no exaggeration to state that Dexter inundated Boston with notes issued by these banks, which in truth were merely printing shops churning out notes backed by nothing. Of course, the complete absence of any bank regulation or supervision at the time enabled Dexter's massive fraud. But as the Exchange Coffee House rose up, towering ever higher above its surroundings, key figures in Boston's business community had discerned his nefarious game and resolved to halt it. So it was that as

his monumental temple of commerce neared completion, Dexter and his highborn wife fled abruptly to Nova Scotia early in May of 1809.

After a few years in Nova Scotia, Dexter made his way to Athens, New York, a Hudson River town where his father and brother were prospering, remaining there from 1812 to 1817. Others now controlled the Exchange Coffee House and sought to make a go of it, with limited success. Still dreaming of wealth, and attracted along with thousands of others by the lure of land in the Alabama Territory, he set out in June of 1817 for Georgia, where in August at Milledgeville he bought a 320-acre tract along the Alabama River at auction.

In short order, he was carving out a settlement he named New Philadelphia, soon to become the Montgomery now forever associated with the Confederacy and key events in the historic Civil Rights movement. Just as he was pursuing his new vision of a metropolis on the Alabama River, a mighty conflagration on November 3, 1818 quickly engulfed the splendid edifice he had conceived and built back in Boston, leaving it a smoldering ruin in a matter of hours.

The details of Dexter's machinations, along with the many contemporaneous events and developments such as the "Yazoo Lands" and the 1807 Embargo Act the author explores, make for a truly fascinating tale. In some instances, Professor Kamensky dwells on matters longer than most will find necessary, as in depicting the aftermath of the great fire. This reviewer also found her shifts between present and past tense disconcerting. However, such and other quibbles aside, her book will amply reward any reader interested in financial history or American social history more broadly, laden as it is with intriguing side stories and insights. And, by illuminating an egregious financial fraud facilitated by the lack of any regulation of our nation's infant banking system, it reminds us once again that we adopted regulation of financial institutions in the public interest for good cause. Just so, it should suggest that appropriate regulatory regimes for all major actors in the financial markets are essential to curb the excesses that so often erupt with disastrous consequences.

Collateralized Debt Obligations, anyone? **PH**

A legislative and regulatory policy specialist and attorney, Sherman T. Brewer, Jr. directed state government relations at a global investment firm and a national securities exchange after serving as a Deputy Attorney General of the State of New Jersey. He now consults, lectures on law at the college level, and pursues his keen interest in the history of American railroads and financial institutions.

TRIVIA QUIZ

How much do you know about financial history?

By Bob Shabazian

1. Which company recently issued the largest Initial Public Offering in U.S. history?
2. When did the United States first start using the American dollar?
3. A bull market indicates rising prices; a bear market implies declining prices. Name some well-known origins of those terms.
4. Who said "I buys 'sheep' and sells 'dear'?"
5. The U.S. Mint currently pays more to make pennies and nickels than their actual value. What is the Mint's cost to produce these coins?
6. Name the two companies that were in the Dow Jones Industrial Average during the 1929 market crash that remain in the DJIA today.
7. Who was the first chairman of the Securities and Exchange Commission?
8. Who first put "In God We Trust" on American money?
9. The price of a first class postage stamp recently increased a penny to 42 cents. When did the price of a stamp rise from two to three cents?
10. What was the national debt in 1865, at the end of the Civil War?

1. Visa, which raised \$17.9 billion. It trades on the NYSE under ticker symbol V.
2. The dollar was established as a money unit of the U.S. by the Continental Congress in 1785.
3. A bull raises its head and horns upward when lunging towards a torador's red cape; a bear claws downward when going for the kill.
4. Banker Meyer Rothschild, in response to a question how one can make money on Wall Street.
5. A penny costs 1.26 cents and a nickel costs 7.7 cents. Both figures are down from the costs in 2007.
6. General Electric and General Motors.
7. Joseph P. Kennedy, father of President John F. Kennedy.
8. Treasury Secretary Salmon P. Chase, largely because of increased religious sentiment during the Civil War.
9. In 1917 to help finance World War I.
10. \$2.845 billion.

Toward a Social History of Investment

continued from page 23

Internet, like the stock ticker of the late 19th century, has encouraged popular participation in financial markets by making it easy to obtain financial information and to place trades.

However, this democratization of investment does not mean that the benefits and risks of the market have been evenly distributed. Steve Fraser finds that during the boom years of the 1990s, 86% of the market's increase went to the wealthiest 10% of the population; over 40% went to the top 1%. As today's downturn in the housing market shows, risks have not been shared equally either. Robert Shiller, perhaps the most astute observer of the real estate market, concluded in 2005 that in the past 100 years housing prices nationwide have been flat or have dropped, except during the post-World War II housing shortage and in the past five years. Yet, prodded by aggressive mortgage and home-equity loan mar-

keters, homeowners have come to see their houses as investments. One real estate insider noted ruefully that "everybody was basically using their house as an A.T.M." Economists estimate that Americans tapped their home equity to finance \$310 billion a year in consumer spending from 2004 to 2006. Yet, as many sub-prime and working-class borrowers have come to find out, investments can also be risky. Perhaps it is time, as *New York Times* writer Jon Gertner has recently urged, for homeowners to think of homes as "places to live" instead of investments "as reliable as stocks and bonds."⁵ **PH**

David Hochfelder is assistant professor of history at SUNY Albany. He is currently finishing a history of the telegraph industry, and his next book will be a social history of savings and investment.

Notes

1. Robert B. Reich, "The Conflicted Consumer," article at Alternet, Sept. 26, 2007 (<http://www.alternet.org/stories/63565/>), consulted on Oct. 26, 2007.
2. Steve Fraser, *Every Man a Speculator: A History of Wall Street in American Life* (New York: Harper Perennial, 2006), p. 576.
3. Fraser, *Every Man a Speculator*, pp. 350–51.
4. William Z. Ripley, *Main Street and Wall Street* (Boston: Little, Brown, and Company, 1927), p. 95.
5. Jon Gertner, "Appreciating Depreciation," *New York Times Key Magazine*, Fall 2007, 22–26.

Second Bank of the United States

continued from page 27

Planters, or their agents, discounted their paper out of bank. Brown Brothers played an increasingly important role in financing slave plantations in Mississippi.

Biddle had sought to paper over the sad condition of the Second Bank at the time of the expiration of its charter, by chartering a new state bank to receive its assets and liabilities. As his investments in improvement companies soured and panic became depression, he increasingly resorted to desperate speculations to keep the new bank alive. And for a time, he was successful.

The United States Bank of Pennsylvania was forced to suspend a second time in October of 1839. Philadelphia's other banks had no choice but

to follow since they had continued to give currency to the new bank's circulation in the aftermath of the resumption. Banks in parts of the South and West also suspended, especially in those areas where the Second Bank had enjoyed a pronounced presence.

In May 1841, a special meeting of the stockholders of the United States Bank of Pennsylvania made an assignment of the best assets in the bank's portfolio for the benefit of those left holding its circulation. The first trust, the Bacon Trust, received \$12.5 million of bills receivable, stocks and bonds, and other claims including against three Mississippi banks. Claims against the Morris Canal & Banking Co. were early on determined

to be worthless. All told, 71% of the trust's assets were in Mississippi, New Orleans and Mobile.

The story of the collapse of the United States Bank contains all of the elements one would expect to find today in a similarly managed institution. Thomas Biddle & Co. transferred \$5 million of worthless securities to the failing bank and was released from all of its debts.

Nicholas Biddle seems never to have regained his grounding in reality once he lost his national bank. Perhaps the power to create money out of thin air is simply too much for any human to wield.

The task of collecting the bank's good assets would last more than a

decade, but eventually the circulation of the failed bank was restored to par, though its bondholders and stockholders recovered nothing from the ruin.

The Bacon Trust became deeply involved in the institution of slavery as its collection activities dragged on. By 1852, it owned either directly or indirectly four slave plantations with hundreds of slaves. It had become one of the largest slave owners in the state in Mississippi.

Matters might have resolved themselves differently in the wake of Andrew Jackson's veto of the re-charter bill in 1832. A general assignment of the assets for the benefit of various classes of creditors, as well as the shareholders, might have made most note holders and investors whole within a relatively short time. The bank's liabilities might have remained

at or near par and not become an object of speculation by bill brokers.

Nicholas Biddle's actions in the wake of the re-charter crisis seem to evidence an arrogance born from his role as the nation's monetary arbiter. The Second Bank had enjoyed an advantage which no other bank in the United States would enjoy for another 80 years. It could press its circulation on all parts of the country, and it could meet tenders of its notes and checks with drafts on distant branches, thus continuing to float its circulation almost indefinitely.

Had Nicholas Biddle induced a credit bubble in the years before 1832? The rapid augmentation of the federal government's surpluses from sales of government land in the West and from custom duties would seem to indicate so. By 1832, the govern-

ment found itself with the need to discharge the entire federal national debt. Another indication was a growing trade deficit which persisted until the Panic of 1837, a trade deficit which was largely funded by foreign investors delighted to take up the latest offerings of improvement company securities which were brought to market in Europe. **FH**

Richard H. Kilbourne, Jr. resides in Clinton, Louisiana. He is a financial historian whose books include Debt, Investment Slaves: Credit Relations in East Feliciana Parish, Louisiana, 1825–1885 (1995) and most recently Slave Agriculture and Financial Markets in Antebellum America: The Bank of the United States in Mississippi, 1831–1852 (2006).

The Grand Swindle of Billie Sol Estes

continued from page 31

the polite fashion of someone his age of rural Texas origins. His health, he characterized, in a resonant voice, as "excellent" and stated he is pursuing interests in the "oil business." Estes no longer cared to discuss, what he referred to, as "all that," though he admitted to being a little surprised at the interest it still generates.

A Pecos banker had once said that the sad thing about Billie Sol Estes was that "he could have been an honest millionaire instead of a broke crook." **FH**

Ron Hunka, who lives in Austin, Texas, is a freelance writer on historical subjects. The saga of Billie Sol Estes was one of the conspicuous events of his young adulthood. To those of a certain age in Texas, Estes is remembered as an outlandish figure of misguided ambition. In the fall 2007 edition of Financial History, Hunka also contributed an article on the Texas stock fraud scandal

perpetrated by Frank Sharp.

Sources

"Decline and Fall," *Time*, May 25, 1962.

Estes, Pam. *Billie Sol Estes: King of Texas Wheeler-dealers*. Abilene, Texas: Nobelcraft Books, 1983.

Haley, J. Fvetts. *A Texan Looks at Lyndon*. Canyon, Texas: Palo Duro Press, 1964.

Henson, Dusty and Bonnie Henson. *Rugs to Riches*. El Paso, Texas: Trego-Hill Publication, 2001.

John F. Kennedy Presidential Library and Museum. Archives: News Conference 33. May 17, 1962. http://www.jfklibrary.org/Historical+Resources/Archives/Reference+Desk/Press+Conferences/033POF05Pressconference33_05171962.htm

Maurer, John R. "Billie Sol Estes, Et Al ITSP: MF: Conspiracy," in *Society of Former Special Agents of the FBI*. 42–43. Paducah, Kentucky: Turner

Publishing Company, 1996.

Spartacus Educational. "Billie Sol Estes." <http://www.spartacus.schoolnet.co.uk/JFKestes.htm>

Spartacus Educational. "Malcolm (Mac) Wallace." <http://www.spartacus.schoolnet.co.uk/JFKwallaceM.htm>

The Pecos Independent and Enterprise. "Tank tally shows over 15,000 here." February 12, 1962. <http://www.pecos.net/news/arch62/020562.htm>

The Pecos Independent and Enterprise. "Este's trial Monday." December 8, 1962. <http://www.pecos.net/news/arch62/120162.htm>

The Pecos Independent and Enterprise. "Thomason sets Estes trial March 11." December 11, 1962. <http://www.pecos.net/news/arch62/120162.htm>

MU\$EUM OF AMERICAN FINANCE

The Museum of American Finance, an affiliate of the Smithsonian Institution, is the only independent public museum dedicated to capitalism, entrepreneurship and free enterprise. It celebrates and teaches the power of a democratic free market economy to better the financial lives of individuals, companies and nations.

48 Wall Street, New York City.
Open Tues – Sat. 10am – 4pm
Admission: \$8 adults;
\$5 Students/Seniors; Kids under 6 free.
For further information, please contact the
Museum at 212-908-4110
or visit our website, financialhistory.org

IT'S YOUR BUSINESS.

Join the Museum's
Corporate Membership Program
Put your company's support behind the
Museum's work to teach financial empowerment
using the lessons of financial history

Corporate memberships can
include the following benefits:

- Free admission for employees and their guests
- Private tour of the Museum for up to 50 people
- Acknowledgment on the Museum's website, in *Financial History* magazine, and in all other relevant publicity
- Special invitations to Museum openings and events
- Opportunity to rent Museum spaces

For information, please contact
Director of Development Jeanne Driscoll at 212-908-4694
or jdriscoll@financialhistory.org

Become a Smithsonian Affiliate Member

The Museum of American Finance, an Affiliate of the Smithsonian Institution, rewards its members at contributing levels with all the benefits of regular Museum membership, plus the benefits of membership in the Smithsonian.

Smithsonian Benefits

- 12 issues of *Smithsonian* magazine
- 10% discounts on shopping and dining when you visit the Smithsonian and on all purchases from SmithsonianStore.com
- 20% discount on publications from Smithsonian Books
- Affiliate membership card
- Exclusive international and domestic travel programs and study tour opportunities from Smithsonian Journeys
- Access to a special, members-only website at <http://affiliations.si.edu/members>
- Free admission to the Cooper-Hewitt National Design Museum in New York

Finance Museum

- 4 issues of *Financial History* magazine
- 10% discount in Museum Shop
- Free admission for you and a guest
- Membership card
- Advance notice of Museum events
- Invitations to exhibit openings and members-only events



To become a Smithsonian Affiliate Member, please send a check for \$150 payable to "Museum of American Finance," Membership Department, 48 Wall Street, New York, NY 10005. All but \$44 of your contribution is tax-deductible.



A U C T I O N E E R S

P A S T , P R E S E N T , A N D F U T U R E

Whether you are collecting, buying, or selling, names you have long known are now teamed up to bring you the benefits of the global marketplace. Let experts with a collective 100-plus years of expertise help you build *your* collection. Let the firm who holds countless world record prices, as well as the distinguished honor of selling a single security for the highest price ever through auction sell *your* holdings. Let the builders of the world's premier scripophily library, with reference files on over a million global securities offer their unparalleled service and a century's worth of securities research to *you*. For more information, or to consign to an upcoming sale please contact our experts Caleb Esterline, Matthew Orsini, or Mark Anderson.

S T O C K S & B O N D S • P A P E R M O N E Y • C O I N S • A U T O G R A P H S



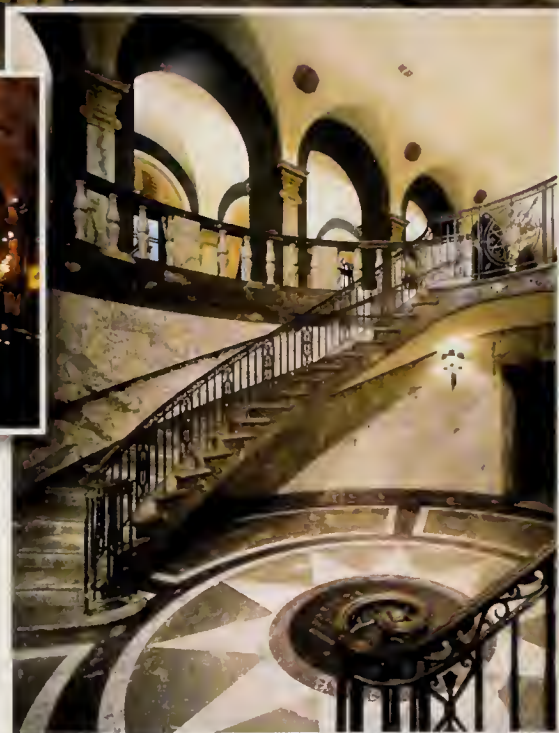
800-622-1880 www.spinksmythe.com info@spinksmythe.com

NEW YORK 2 Rector St. 12th Fl. New York, NY 10006 DALLAS 3100 Monticello, Suite 925, Dallas, TX 75205

HOST YOUR NEXT EVENT AT THE MUSEUM OF AMERICAN FINANCE



Photo: Elsa Ruiz



The Museum of American Finance provides a unique, magnificent setting for corporate and private events. Located in the heart of New York's financial district, the Museum occupies 30,000 sq. ft. of space on three floors of the 1927 landmarked former headquarters of the Bank of New York. The building's grand mezzanine banking hall has retained much of its original architectural detail and has been recently renovated and restored by the Museum. It boasts 30-foot ceilings, Palladian windows, a grand marble staircase and entrance, and arched panel murals painted by J. Monroe Hewlett. The Museum's exhibits have been designed to be movable to allow for seated dinners (up to 220 guests), as well as receptions and presentations (up to 400 guests).

The Museum's education center on the concourse level is also available for lectures, conferences and seminars. This multi-purpose space can seat up to 200 people, or can be divided into as many as six smaller rooms for meetings or break-out sessions.

Corporate members at the Corporate Patron and Corporate Partner levels receive discounts on space rentals. For information, rates and availability, please contact Arturo Gomez, Business Manager, at 212-908-4619 or agomez@financialhistory.org.

MU\$EUM OF AMERICAN FINANCE

IN ASSOCIATION WITH THE
SMITHSONIAN INSTITUTION

48 Wall Street
New York, NY 10005
www.financialhistory.org